

**Internal Revenue Service**

P.O. Box 2508

Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201834016**

Release Date: 8/24/2018

**Date: May 31, 2018**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

S = Name

T = Name

U = Name

V = Name

W = State

UIL: 4945.04-04

z dollars = Amount

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code Section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code Section 117(b)).

**Description of your request**

Your letter indicates that you will operate an educational grant program called S. The purpose of S is to award scholarships to high school seniors graduating from T, U, and V in W to assist with their educational and related expenses for their first academic year after the conclusion of high school.



Grants may only be used for tuition and fees required for the enrollment or attendance of the student at a qualifying institution as well as fees, books, supplies and equipment required for courses of instruction at the educational institution. No part of the scholarship grant can be used as payment for teaching, research or other services by the student required as a condition for receiving the scholarship. You will ask each of the three schools in the manner of their choosing to advertise S to all seniors.

You anticipate that every year one recipient will be selected from each of the three schools for a grant amount of z dollars. A change in the value of your investments or your choice of where to donate your assets could cause you to increase or decrease the grant amount.

To be eligible, applicants must be entering a college, university, vocational school, trade school, or other educational institutional as described in Code Section 170(b)(1)(A)(ii) for a year of post-high school education.

All applicants must complete your application form, as well as provide documentation of regular community service and charitable acts and/or a detailed letter of recommendation from a person supervising or having knowledge of the performance of their community service and charitable acts. In addition, all applicants must provide complete high school transcripts, their SAT and/or ACT scores, evidence of financial hardship, a copy of their acceptance letter from the post-high school educational institution which they plan on attending as well as the completed authorization at the bottom of the application; finally, all applicants must submit an essay requesting the scholarship grant to be given to them as well as the reasons why it should be awarded to them.

The selection committee consisting of individuals appointed by you will evaluate the applications based on academic performance, financial need, community service, performance of charitable deeds, the recommendation of the principal, their character, their motivation, the essay and their potential for success.

You will require that every member of any selection committee must disclose any personal knowledge of and any relationship to any potential grantee under consideration, any member of any selection committee may not directly or indirectly derive a private benefit from the selection of any potential grantee. No scholarship grant may be awarded to any member of any selection committee or to any family. No scholarship grant may be awarded to any disqualified person. Initially, your selection committee will consist of your founder and her husband.

Each recipient will be eligible to renew the scholarship for up to three consecutive academic years and must apply for scholarship renewal annually. All renewal applications must be approved.

You will pay scholarship proceeds directly to the recipient's educational institution for the benefit of the recipient. The educational institution must agree to use the grant funds to defray the recipient's expenses or to pay grant funds, or a portion thereof, to the recipient



only if the recipient is enrolled at such educational institution and their standing is consistent with the purposes and conditions of the grant. If for any reason a scholarship grant is paid to a person other than the educational institution or if the scholarship grant is used for expenses other than qualified tuition and related expenses, you must receive a report on the progress of the recipient. This report must be verified by the educational institution, obtained at least once per year, and include the grantee's courses taken (if any) and grades received (if any) in each academic period. Upon completion of a grantee's study at an educational institution, a final report must also be obtained.

You represent that you will (1) investigate any indication of a scholarship grant not being used in furtherance of the grant's purposes, (2) withhold payments, to the extent possible, while conducting your investigation, (3) take all reasonable and appropriate steps to recover funds or ensure restoration of diverted funds not used in furtherance of grant purposes, and (4) withhold further payments for recipients until you receive assurances that future diversions shall not occur as well as the precautions taken to prevent future diversions.

You represent that you will maintain all records related to (1) information obtained to evaluate grantees, (2) the identification of grantees, including names and addresses of recipients and any relationship of any recipient to you sufficient to make them a disqualified person, (3) the purpose and amount of each grant, and (4) any additional information you obtain in complying with your grant administrative procedures. You will maintain information pertaining to both successful and unsuccessful applicants.

#### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code Section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all the following requirements of Code Section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code Section 117(a).
- The grant is to be used for study at an educational organization described in Code Section 170(b)(1)(A)(ii).

#### **Other conditions that apply to this determination**

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.

- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code Section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements