

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

Department of the Treasury

Number: **201835016**
Release Date: 8/31/2018

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: June 6, 2018

LEGEND

UIL: 4945.04-04

Y= Name
m 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 you will operate a scholarship program.

The purpose of your scholarship program is to provide an annual non-renewable scholarship for m dollars for post-secondary education to a graduating student band member of Y. This scholarship is based on band participation and academic merit, and is not a financial aid scholarship.

Your scholarship is announced to the band students at Y and applications are provided to all graduating senior band students.

To be eligible to apply, students must be senior band members at Y who are currently taking at least one band class and maintaining at least a B average in that class. The applicants must regularly participate in band activities including after-school rehearsals, performances, auditions, assessments, etc. The applicants are not required to declare a music-related major for eligibility.

All applicants must submit a completed application form by a specific date with all requested documentation. This includes at least one letter of recommendation from a school source (teacher, counselor, administrator, etc.) and a letter of acceptance or comparable documentation to demonstrate their intent to attend an institution of higher learning. All applicants must also explain how music influences their lives.

All applications will be reviewed and scored by your selection committee consisting of your Trustees. Senior band students whose parents are Trustees are not eligible for this scholarship. The selection committee will consider the applicants' band participation, their academic records, and their essays. In addition, the selection committee may consider the neatness and readability, spelling, grammar and punctuation of the applications in selecting the recipient.

The recipient will be announced at graduation and the scholarship money will be paid directly to the student account at their institution of higher learning.

You represent you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You represent that you will: (1) maintain all records relating to individual grants including information obtained to evaluate grantees, (2) identify whether a grantee is a disqualified person, (3) establish the amount and purposes of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

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 of 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.

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