

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201842007**

Release Date: 10/26/2018

Date: July 24, 2018

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = Scholarship
C = City
D = State
E = School
F = School
G = School
H = School
J = Religion
k dollars = Amount
m dollars = Amount

UIL: 4945.04-04

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 called B. Through B, you will provide scholarships to high school students who are residents of C in the state of D and who have graduated from the primary/middle J schools located in C and/or in a

municipality adjacent to C. Currently, the qualifying high schools would be E, F, G, and H. You indicated that C is a significantly financially depressed community.

You will determine the number of grants each year, as you deem appropriate. The amount of the scholarship awarded is expected to be k dollars to m dollars per grantee per year, renewable by each grantee for four years. The renewal is subject to the grantee's submission of continued qualification for the grant. The grantee must provide a copy of his or her grade report at the end of the second and fourth quarters of each school year. You reserve the right to request additional information and independent verification of any facts submitted in such reports.

You will require an application, which includes recommendations from a school principal, a teacher, and another community leader. You will select grantees based upon consideration of all or many of the following factors: financial need, academic achievement, commitment to community, character, work experience, meritorious accomplishment, other prizes and awards received, other scholarships or grant funding received, performance on standardized tests designed to measure ability and aptitude, third-party recommendations or reviews, and evidence as to the individual's motivation, character, ability and potential drawn from recommendations or a personal interview (if conducted). B is a need-based award and the student's need will be given great weight in the selection process.

You will establish an advisory committee to review scholarship applications and recommend recipients to the trustee who will make the final decisions. Disqualified individuals are not eligible to receive a grant.

The scholarship will be paid either directly to the school, the provider, or directly to the grantee. If payment is made to the grantee then they must submit proof of payment to the attending educational institution. Payment will only be made upon presentation by the grantee of an invoice for tuition and related fees.

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

You represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established 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