

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

Department of the Treasury

Release Number: **201844014**
Release Date: 11/2/2018
Date: **August 9, 2018**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Legend

UIL: 4945.04-04

B = Name
C = Organization
D = Number

x 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. The purpose of your program is to assist high school graduates in B who plan to continue their education at an accredited institution of the recipient's choice. Awards are only for undergraduate studies. Your investment income and required minimum payout distribution will likely determine the anticipated number of scholarships you will annually award and currently you plan to award up to D scholarships per year in the range of x dollars.

Furthermore, you plan to award two types of scholarships. The first type will help pay the recipient's tuition as well as room, board, books, and/or other necessary expenses of attending an accredited educational institution. The second type of scholarship will only pay for tuition.

To administer and manage your program, you plan to enter into an agreement with C, a Section 501(c)(3) charitable organization and a public charity who will create an application for your scholarship program and assist with marketing efforts to publicize your scholarship program. In addition, you plan to establish an Advisory Board of Trustees, who has members from B, who will assist in promoting your program.

You will also publicize your program by contacting the guidance counselors for each school in B to inform them about your program. You will also send representatives to college fairs and similar events to publicize your scholarship program as well as post detailed listings for your program on relevant websites on the internet.

To be eligible to receive a scholarship, an applicant must be a current high school senior who has graduated from a high school within the last five years from B or has received a home school diploma within the last five years while living in B. In addition, an applicant must plan to enroll in undergraduate study at an accredited two-year or four-year college or university, or a vocational-technical school in the United States for the entire upcoming academic year or be a current postsecondary undergraduate at such an institution. An applicant must also have a minimum high school grade point average of 2.5 on a 4.0 scale (or its equivalent).

The following persons are not eligible to receive a scholarship:

- A member of your Advisory Board of Trustees,
- A spouse of a Trustee or of a member of your Advisory Board of Trustees,
- Any lineal descendants of a Trustee or of a member of your Advisory Board of Trustees,
- The spouse of any lineal descendant of a Trustee or of a member of your Advisory Board of Trustees, or
- Any employee, officer or director of any corporate Trustee or its affiliates or subsidiaries or any spouse or lineal descendant of such persons.

You will use C or a similar organization to select the scholarship recipients through a combination of criteria you have established, although your trustee has the ultimate authority regarding the selection of the scholarship recipients. These criteria include financial need, academic performance, demonstrated leadership and participation in school and community activities, work experience, unusual personal or family circumstances and character. You may also require a written essay as part of the application which will describe the student's plans, which will be reviewed as part of the selection process.

Awards will be renewable for up to a total of four years of scholarship payments or until a bachelor's degree is earned, whichever occurs first. To be renewable, a student must remain in good standing at his or her institution and maintain a minimum grade point average of 2.75 on a 4.0 scale.

Awards will generally be paid directly to the educational institutions. Any scholarship amounts that are not payable directly to an institution will require reporting by the recipient who will provide you or C with reports.

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 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.

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