

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

**Department of the Treasury**

Release Number: **201846009**  
Release Date: 11/16/2018  
**Date: August 20, 2018**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

b = Number  
c = Number  
m dollars = Dollar Amount  
n dollars = Dollar Amount  
X= Program Name  
Z= Company Name

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 provide in Code Section 117(b)).

**Description of your request**

Your letter indicates you will operate a scholarship program called X. X is an annual global competition for high school students to inspire creative thinking in the fields of math and science. Your purpose is to further the mission of honoring outstanding achievements in learning.

You will directly administer X and award scholarships directly to the winners.

To apply for X, students will create submissions following application guidelines. The application will have two sections, the primary challenge and additional questions. The primary challenge is to choose a concept or theory that is important but challenging and create a short video to teach the concept in an engaging, imaginative way. The additional questions are questions about how they choose the video topic, why they want to study math or science, and what they want to study in the future. Applicants will also be required to participate in peer-to-peer scoring of fellow students' submissions.

To be eligible, students must be between the ages of b and c. Everyone who meets age requirements is eligible to submit an application. The only exceptions are students located in countries prohibited from trade relations with the United States or discretionary decisions based on local laws or ordinances. Relatives of members of the Academic Judging Panel, the Selection Committee, or the officers, directors, and substantial contributors of or to you are not eligible to participate in X.

You publicize X on your website, and through other organization with an interest in science and education.

To ensure that scholarships are awarded in an objective and nondiscriminatory manner, submissions in the X will be judged by student peers, educators and leaders. Judging will consist of six phases:

1. Peer-to-Peer review by student participants. The top ranking submissions will be forwarded to Judges.
2. Independent Academic Judging by educators selected and appointed by you. The highest ranked submissions in this round will be designated as semi-finalists.
3. Verification of Semi-Finalists' entries comply with X rules.
4. Public Voting on Semi-Finalists Videos via website. The highest ranking submission as voted by the public may be added as a sixth finalist, if not already a finalist.
5. A Selection Committee chosen by you and comprised of educational experts will review and score the highest-ranking semi-finalists and select finalists.
6. The Selection Committee will review each finalist and each member will rank the finalists. Your Chairman will make the final determination of X's winner. They will also select regional finalists.

You will award one scholarship to the winner of X of m dollars. You will award additional scholarships to regional finalists of n dollars. The number and amount of scholarships could vary depending in the future.

You will not award renewals of grants. However, grants may be paid over a period of years on behalf of enrolled students in good standing at a qualified higher institution of education.

You will also employ other measures to supervise the awards and act if the terms of the awards are violated.

- Funds will be paid directly to the recipients' colleges or other institution of higher education.
- Funds may only be used for tuition and fees at an accredited post-secondary educational institution or non-U.S. equivalent.
- Non-U.S. equivalent institutions must not be subject to sanctions through the U.S. Dept. of Treasury, Office of Foreign Assets Control.
- Funds must be used within 8 years of graduation from secondary school.
- Scholarship funds are not assignable to any other student in whole or part and any unused portion must be returned to you.
- Any student who fails to maintain academic good standing is ineligible for a renewal scholarship for the subsequent year.

You will engage a scholarship management organization, Z, to administer the scholarships. Z will perform the following:

- Corresponding with recipients and/or their representatives and how to access funds
- Maintaining records and contact information with recipients
- Confirming high school graduation and enrollment in post-secondary educational institution
- Distributing scholarship fund payments
- Providing relevant tax information and forms to recipients in the United States and Canada, and
- Any other communication with the recipient's representative in connection with the management of the scholarship.

You represent that 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 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.

We've sent a copy of this letter to your representatives 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,

Steve A Martin  
Director, Exempt Organizations  
Rulings and Agreements