

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Numbers: **201848019**

Release Date: 11/30/2018

Date: **September 5, 2018**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = Scholarship Program

C = State

E = Credit Union

F = Unrelated Education Foundation

y = number of members

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 provide in Code Section 117(b)).

Description of your request

The information submitted indicates you were previously issued a determination letter granting you advance approval of your scholarship program under Section 4945(g)(1) of the Code. You now propose to make additional changes to your scholarship program as follows:

You are changing the parameters of B to limit applicants (other than those applying for scholarships in conjunction with F) to students who are, or who have at least one parent who is, a member of E at the time that student applies for the scholarship. You state the term 'parent' includes both natural and adoptive parents and you estimate there are over y members of E.

You are also changing the manner in which scholarships are awarded. You intend to allocate a number of scholarships to each school district in C. The number of scholarships awarded to a school system will be determined by a formula based on each school system's 12th grade average daily attendance as a percentage of the statewide 12th grade average daily attendance. Each school district will receive at least one scholarship. You believe that this change will better reflect the population of the state and allow school districts to award more scholarships to deserving students. The school board of each district will then decide how to allocate the scholarships among the high schools in that district.

Lastly, you intend to allow scholarship awards to be used for fees and tuition, rather than just tuition as in the past.

You state relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for awards made under this program.

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