

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

Department of the Treasury

Release Number: **201848020**
Release Date: 11/30/2018
Date: **September 5, 2018**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B = Scholarship
C = Company
D = Organization
E = Individual
F = Company

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. B is available to former employees of C or their spouses, parents, or their descendants. C was a corporation which ceased operations more than 50 years ago.

Recipients must be a descendant of an employee of C. The potential recipients are considered "Preference and Priority Class." The Preference and Priority Class is divided into the First and Second Class. The First Class includes descendants of employees that worked at C during the lifetime of E, a now-deceased principal owner of C. The Second Class of recipients includes descendants of all persons who worked at C.

Applicants must be high school seniors or undergraduates enrolled in an accredited educational institution, which may include trade, commercial and art schools. Applicants must be in good standing from an academic standpoint.

You are utilizing D, an independent non-profit organization, and F, the Trustee, to assist with the administration of the scholarships. D will publicize the scholarships via a website and prepare and mail information to potential Preference Class and Priority Class individuals.

All recipients must be US citizens or resident aliens enrolled at or accepted for admission at the approved institution for which tuition assistance is being requested. To the extent funds are available, the distributions will be used to fund tuition, fees, and required course material up to the full amount of such charges.

The number of scholarships and amounts will vary from year to year depending on funds available and the qualifying number of applicants. You represent that approximately 25 individuals are eligible for the scholarship annually. There may be additional students who are eligible, but do not apply.

You represent the scholarships are based on both need and merit. Applicants are ranked based on their academic abilities, including but not limited to their GPA, SAT/ACT scores, and a personal statement. The applicants are also ranked based on whether they are members of the first or Second Class of the Preference and Priority Class. You consider whether the applicant has access to funds from outside sources and the amount of unmet need. An applicant who ranks higher based on these guidelines will receive a larger percentage of their unmet need.

The scholarship is not renewable; however, current recipients may reapply and be considered for additional funding along with other new applicants. D will contact the current scholarship recipients to determine their desire to reapply. The maximum number of years a recipient may receive a scholarship is four years.

Proof of enrollment is required prior to payment of the scholarship. Funds are paid directly to the schools on behalf of the recipients and the schools agree to apply to the funds if the recipients are in good standing. If the recipients cease to attend school, have unsatisfactory grades, or engage in serious malfeasance, F may terminate the scholarship and seek refund of any unused funds.

F, with the assistance of D, will have discretion to prorate such distributions where necessary. If the requests for funds from qualified Preference Class and Priority Class

recipients exceed the available funds for any given academic year, F will utilize financial need as an additional factor in determining the worthiness of recipients and the prorated distribution of funds.

You represent that no officers, directors, substantial contributors, descendants or members of D or F are eligible for awards made under your program.

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 the 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 the 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. The effective date of our approval is August 2, 2017, which is the date your request was submitted.
- 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