

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

Department of the Treasury

Release Number: **201850022**
Release Date: 12/14/2018
Date: **September 18, 2018**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

X= Name

Y= Name

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 X.

The purpose of X is to provide scholarships to qualified students to assist such students in attending a two or four-year college, trade school, technical school or similar post high school educational institution meeting the requirements of Section 170(b)(1)(A)(ii) of the Code.

To be eligible for X, applicants must:

- Be a high school senior graduating from a charter high school in one of eight counties located in the state of Y;

- Provide documentation signed by a school or charitable organization showing at least 50 hours of community service served in the last three-year period;
- Have an overall high school GPA of 3.0 or greater on a 4.0 scale;
- Have an SAT or an ACT score above the fiftieth percentile.

At no time will any member or relative of a member of your board of directors (or any other disqualified person with respect to you) be eligible for X. In addition, any individual living with, related to, or employed by a director of yours is ineligible for X.

All applicants must submit a completed application to you on line. In addition, supporting documents must be submitted by mail which include transcripts, documentation of community service, test scores and an essay describing the applicants' plans to continue serving their community as well as the completed FAFSA.

Furthermore, applicants will receive email acknowledgment of receipt of their applications and supporting documents. You will not consider incomplete application packets.

Recipients will be selected by your selection committee which consists of your board of directors. They will determine the merit of each application by considering the financial need, commitment to community service, and academic qualifications of each applicant. Your selection committee may also conduct a personal interview in its sole discretion. You will notify the recipients via phone or regular mail. In addition, recipients must provide you a plan showing how they will continue their community service while receiving the scholarship. Furthermore, you will send checks to each recipient's home address that will be made payable to the school prior to the start of the following semester/quarter.

You will award scholarships each year based on your resources as well as determine the amount of each scholarship on case by case basis. Furthermore, scholarships are renewable for up to four school years, payable in one to four payments consistent with the school calendar.

To renew, recipients must:

- Maintain twelve hours of course work for each semester.
- Provide copies of report cards showing they have maintained a GPA of 3.0 per semester on a 4.0 scale prior to the start of the next term. Recipients, whose grades fall below 3.0 will be allowed one semester of probation to bring up their grades to 3.0. A recipient with a GPA below 3.0 for two semesters will become ineligible to receive a scholarship the following term.
- Provide the completed form signed by the applicable organization you provide documenting that they have met the community service requirements of either 25 community service hours per quarter or 50 community service hours per semester. A recipient serving less hours than that required will be allowed one semester of probation to bring up their number of community service hours. A recipient with

community service hours below the required amount for two consecutive terms will become ineligible to receive a scholarship the following year.

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.
- 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