

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

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: October 11, 2018

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 Section 4945(g)(1) of the Code. 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 Section 117(b) of the Code).

Description of your request

You will operate a scholarship program whose purpose is to provide scholarships to recipients for tuition and related expenses required to attend an educational institution domiciled in the United States and described in Section 170(b)(1)(A)(ii) of the Code. The proceeds from you are to be used to cover tuition, including, housing expenses, books and supplies, and other expenses associated with attending university. If a scholarship recipient has been awarded direct financial aid grants by a university, such grants shall be supplemented by you to cover the remaining balance of the recipient's tuition and related expenses.

You will increase or decrease the number of grants awarded each year, based upon the number of qualified applicants the program attracts and the availability of funds. Your scholarships are renewable for succeeding academic years. To retain the scholarship for succeeding years, the recipient must maintain at least a 3.0 grade point average. However, you may waive the requirement if you determine that the recipient shows sufficient academic potential that it is willing to continue the scholarship.

An eligible candidate must be a high school senior who has been accepted to a qualifying university as described in Section 170(b)(1)(A)(ii) of the Code, but lacks the financial resources to attend.

Recipients will be chosen by a selection panel. The panel will be composed of at least three (3) individuals selected by you, who may or may not be members of your Board of Directors. The individuals on the selection panel will not be eligible to receive any grants from the proposed program and they will not otherwise be able to derive a private benefit, directly or indirectly, if certain potential recipients are selected over others. The selection panel members will be required to disclose any relationships that may have an impact on their independence in selecting scholarship recipients.

The selection panel will evaluate all applicants by considering a candidate's academic achievement, moral character, motivation, and financial need. The selection panel may also include consideration of a candidate's writings and personal interviews. Determinations of academic admissibility and financial need will be based on information deemed pertinent by you, but may include high school transcripts, resumes, results of aptitude or achievement tests, recommendations of teachers or advisors, and financial information provided by the candidate and/or his or her family.

The selection panel will propose grantees to your Board of Directors. After reviewing the selection panel's proposals, your Board will make the final selection of recipients. Your Board may accept any, all, or none of the proposed grantees and determine the amounts to be awarded to each.

Funds will be paid directly to the universities on an annual basis to defray tuition and other related costs only if the recipient is enrolled at the university, in good standing, and he or she maintains the qualifying grade point average, which shall be verified and reported to you by the university.

In the event a student withdraws from school, to the extent tuition is refundable, funds will be returned. A student who does not comply with the renewal criteria will not be eligible for funds in future years.

On an annual basis, each recipient must submit a copy of their transcript from the university which details the courses taken and the grade point average achieved. If you do not receive a report within ninety (90) days of the conclusion of the university's school year, you will initiate an investigation and require the recipient furnish you with such report.

You will arrange to receive and review grantee reports annually. If you determine that any part of a grant has been used for improper purposes, you will (1) secure the grantee's assurance that all funds will be rebated by the application of those funds to the purposes of the grant and that future diversions will not occur, (2) require that funds which cannot be applied to the purposes of the grant be rebated to you, and (3) require the grantee to take extraordinary precautions to prevent future diversions from occurring.

No scholarship or other grant will be awarded to a member of your Board or to any disqualified person with respect to you (including any individuals related to members of your Board and any persons related to the substantial contributors to you). No scholarship or other grant will be awarded for a purpose that is inconsistent with the purposes described in Section 170(c)(2)(B) of the Code.

You will maintain case histories including: the recipient's name, address, the materials used in evaluating his or her candidacy or proposal, the purpose and amount of the award, the manner of solicitation, and the relationship (if any) to officers, Board of Directors, or the founder of or substantial contributor to you.

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