

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201904018**

Release Date: 1/25/2019

Date: November 2, 2018

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = University

C = Website

D = Scholarship vendor

E = County

F = County

G = State

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

You provide scholarships to students to attend B. You indicated that you previously requested and received approval of your loan program. You are now adding a scholarship program, which is the reason for this request.

The number of scholarships that will be awarded each year and the amount of each scholarship will vary depending on the amount of funds available to be distributed. You

will pay qualified tuition and related expenses solely to educational organizations described in Section 170(b)(1)(A)(ii).

The eligibility criteria are the following:

- a. Applicant must be attending B as a full-time student;
- b. Applicant must be a high school graduate with a preference to those from E and F counties;
- c. Applicant must maintain a minimum GPA of 2.5 out of 4.0;
- d. Applicant must demonstrate traits of high personal character and leadership; and,
- e. Applicant must be a citizen of the United States.

The scholarships are publicized online at C through the scholarship vendor, D. D will prepare and mail memos and flyers to the guidance counselors of high schools located in E and F counties in the state of G. You chose D as the scholarship vendor and you may can change at any time per your discretion.

Each year, you will advise the selection committee of the amount of funds available to be awarded as scholarships. The selection committee will consider the respective ability, academic merit, educational goals, career ambitions, and the relative financial need of the applicants. The selection committee then submits its recommendations to you, and you will make the final selection of the recipient and the amount to be granted.

The selection committee is made up of financial aid counselors and/or staff of B. All scholarships and loans are awarded on an objective and non-discriminatory basis. No scholarships or loans may be awarded to any disqualified persons as defined in Code Section 4946. No relatives of members of the selection committee, or your trustee's officers, directors, or substantial contributors are eligible for awards made under the program.

You will pay the scholarship proceeds directly to B for the benefit of the recipient. You will provide a letter to B specifying that their acceptance of the funds constitutes its agreement to (i) refund any unused portion of the scholarship if the recipient fails to meet any term or condition of the scholarship or loan; and (ii) notify you if the recipient fails to meet any term or condition of the scholarship. If B will not agree to such terms, you will obtain the needed reports and grade transcripts from the recipient.

Scholarships may be renewed on an annual basis up to three additional years (or until the bachelor's degree is obtained, whichever is earlier), provided they maintain their undergraduate status and a GPA of 2.5, and that the recipient is enrolled full-time each semester and working toward an undergraduate degree.

You will maintain case histories showing recipients of your scholarships, fellowships, educational loans, or other educational grants, including names, addresses, purposes of awards, amount of each grant, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you.

You represent that you will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants.

You represent that you will (i) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (ii) investigate diversions of funds from their intended purposes, and (iii) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and 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.

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