

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

**Department of the Treasury**

Number: **201905006**  
Release Date: 2/1/2019

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date:** November 6, 2018

**LEGEND**

B = State  
C = Foundation  
D = Faith  
E = Organization  
f dollars = Amount

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**

Your letter indicates you will operate a scholarship program. The purpose of your scholarship program is to provide access to higher education by providing college tuition assistance to worthy students. You support students with intellectual curiosity both in and out of the classroom, dedication to fulfilling their responsibilities in the community, and are committed to the idea of education. Those students who demonstrate the determination needed to succeed in college and in life are encouraged to apply.

The number of annual grants is contingent upon the number of applicants, cost of attendance, and amount of funds available, including commitments to current multi-year

grantees. Awards will not exceed f dollars per year, but may be adjusted for inflation in the future.

Your program will be administered by C who provide administrative support and act as your service provider. The program will be publicized by C, who will advertise the program online. C will make recommendations to your trustees who will make the final determination on who will receive the scholarships and the amount of the grant.

To be eligible applicants must meet the following criteria:

- High school senior at the time of application
- Minimum 2.5 grade point average
- Demonstrate financial need
- Demonstrate traits of high personal character and leadership, and
- Plan to enroll as a full-time student in a four-year program at an accredited college or university located in the United States.

Additional consideration is given to applicants who demonstrate the desire, discipline, and determination needed to succeed in college and life and those who take on leadership roles.

Preference will be given to children of D and E families. D is a religious ideology and E is a service organization. Also, preference is given to students who have attended high school in the state of B for at least two years. Consideration will be given to otherwise eligible applicants who do not meet the preference criteria.

Relatives of members of the selection committee, your officers, directors, and substantial contributors are not eligible to receive the scholarship. Scholarships shall be awarded on an objective and non-discriminatory basis, with neither race, creed, color, sex, age, national origin, nor disability being considered.

You require that the recipient's school of choice must be exempt under Section 501(c)(3) of the Code. Scholarships may be renewed for up to a total of four school years. To be renewed recipients must maintain a minimum grade point average and provide evidence of good standing.

You will distribute the scholarship proceeds either directly to the university/college or to the student. If the funds are distrusted to the school, you will provide a letter to them specifying that their acceptance of the funds constitutes their agreement to refund any unused portion of the scholarship if the recipient fails to meet any term or condition of the scholarship and that they will notify you if the recipient fails to meet any term or condition. If they will not agree, you will obtain reports and transcripts. If the funds are given directly to the student, you will require a signed expenditure responsibility agreement and you will require reports.

You represent that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate

diversions of funds from their intended purposes, and (3) 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.

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.

#### **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 March 5, , 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