

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

Department of the Treasury

Number: **201917009**
Release Date: 4/26/2019

Employer Identification Number:
Contact person - ID number:
Contact telephone number:

Date: February 1, 2019

LEGEND
B= Names
C= State
x dollars = Amount
y 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 provided in Code Section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program.

Your purpose is to promote the health, welfare, and education of the community in B counties in the state of C.

The purpose of your scholarship program is to enable high school and college students in B counties to pursue higher education. The scholarship is to be used for tuition, books, and equipment required for educational coursework at a qualified educational institution.

Any student born, raised or otherwise domiciled in B counties who is currently enrolled at a qualified educational institution or is a rising senior at a local high school who intends to enroll in an institution of higher education within the next year will be eligible to apply.

To promote your scholarship program, you will use your relationship with local universities and other local institutions of higher learning who will publicize your program in their announcements and databases. The scholarship program will also be publicized through student message boards, student organizations, scholarship directories and other nonprofit entities, as well as via web-based programs and social media platforms.

Moreover, you will also seek nominations of worthy candidates from university faculty members, student organizations, and other nonprofit entities with which you have a relationship. All applicants must complete an application and submit it with the required attachments.

Recipients will be selected by a selection committee, consisting of your trustees and your attorney-of-record, who will select recipients based on the applicant's demonstrated academic ability and desire, character, citizenship, community service and financial need. Preference will be given to those applicants you judge to be most likely to return to the community and benefit it after the completion of their education. The selection committee will determine this by looking at the information in the applications that substantiates the applicant's affiliation with community organizations when selecting the recipient.

Members of your selection committee will not be able to receive a private benefit, directly or indirectly, if certain potential grantees are selected over others. No recipient may be related to your trustees, members of the selection committee, or any other disqualified persons.

Awards will be at least x dollars and no more than y dollars per grantee in any academic year. Awards may be renewed annually, provided that the recipient is making satisfactory progress towards completion of a college degree, is not under academic or disciplinary probation, and remains active in community service.

Progress reports will be obtained from and verified by the relevant academic institution each semester, and a final report will be required from grantees upon completion of study. If no report is filed by the student, or if any report indicates use of funds for other than their intended purposes, you will conduct an investigation into the matter and may withhold additional funding or take steps to recover grant funds as the situation warrants and to the extent reasonable and practicable.

You will retain all records submitted by applicants, grantees, and their educational institutions. The records will also include information establishing that no recipient is related to you or to any members of your selection committee.

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