

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

**Department of the Treasury**

Release Number: **201920015**  
Release Date: 5/17/2019  
Date: **February 22, 2019**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

LEGEND

UIL: 4945.04-04

B= Name  
C= Name  
D= Specialty

Dear \_\_\_\_\_ :

You asked for advance approval of your educational grant procedures under Internal Revenue Code Section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

**Our determination**

We approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of Code Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

**Description of your request**

Your letter indicates that you will operate an educational grant program called B.

You are committed to helping students from low and middle-class households who often fail to qualify for much needed state and federal aid leaving a great burden on the student and family to finance the tuition cost. You are also dedicated to having immediate and measurable impact in education and mental health.

The purpose of B is to help exceptional students pay off all outstanding student loans, who have demonstrated their commitment to living your ideals of integrity, innovation and leadership. The grant will be a one-time payment given at the end of a student's senior year in recognition.

Only current scholarship recipients of C entering the second semester of their senior year of study may apply for the grant. These recipients were selected in an objective and non-discriminatory process by their educational institutions. Recipients had to be United States citizens and were chosen based on financial need, their integrity, their strong work ethic and their leadership skills, their academic record, their willingness to give back to their community and the country. They also demonstrated a commitment and enthusiasm in the D field. Since there are recipients of C at several schools, the applicants will compete against students from their school and the other schools. Furthermore, B will be advertised at the schools who have C recipients. Eligible applicants must submit an application with supporting documents.

A separate selection committee comprised of university staff, past scholarship recipients, community members and your representatives will review applications for B and choose recipients. No relative of your Board of Directors, staff or founder may be considered for B. The selection committee will evaluate applicants and select recipients using the following:

- Participation in school activities, clubs and volunteer commitments;
- Awards/recognitions for achievement in their field of study;
- Awards/recognitions for community involvement;
- An essay that describes the student's professional aspirations and their entrepreneurial spirit;
- Letters of recommendation;
- An interview by the selection committee.

The selection committee will also decide on the number of awards. If the selection committee does not feel there is an applicant meeting the criteria for B, they may decide to not give out the award that year. Similarly, if the committee feels there are two exceptional candidates, they may choose two recipients.

You will generally pay the lender directly; in circumstances, where it is not feasible to pay the lender directly, you will make the grant directly to the recipient, who must sign a statement that they will use the funds for the exclusive purpose of paying off existing student loans.

Once the payment to the student is made, they will have three months to submit a copy of the loan pay off statement; if an awardee fails to provide this information, you will request the funds be returned to you. You will review all materials annually and take corrective action if funds were not used for the intended purpose.

You will maintain records relating to all grants to individuals including:

- Information obtained to evaluate potential grantees including essays and letters of recommendations;
- Identification of grantees, including any relationship to you;

- The amount of the grant. (The exclusive purpose of the grant is to pay-off student loans.)
- Follow-up information, including required annual reports and any corrective actions taken if the grant was not used to pay off student loans.

### **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 Section 117(a) and is to be used for study at an educational organization described in Section 170(b)(1)(A)(ii); or
  - A prize or award subject to the provisions of Section 74(b), if the recipient of the prize or award is selected from the general public; or
  - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

### **Other conditions that apply to this determination**

- This determination covers only 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 precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in 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 make 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 must 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 any questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements