

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

**Department of the Treasury**

Release Number: **201930026**  
Release Date: 7/26/2019  
Date: **May 1, 2019**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

B = Schools  
C = Name  
D = Name  
E = School System

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.

The purpose of the program is to allow students with financial need that show promise for college and career success the opportunity to graduate from college with little to no student loan debt and obtain a job at a family sustaining wage. This scholarship will provide for tuition, board and room, books and fees for up to four years at any one of the schools consisting of B. To date, you have made grants to qualified Section 501(c)(3)

public charities including designated educational institutions consisting of B in order to fund and administer educational scholarships. These scholarships were given under the names of C and D. You are now expanding your involvement in C and D by having a more active role in the selection process, award calculation, and renewal process. Moreover, the amounts of each award will vary and will generally be equivalent to the cost of attendance less any other aid, including Pell grants, and private scholarships. In addition, the number of grants made annually will be determined by calculating the allocated funds minus the estimated costs of renewals and divided by the estimated costs for new recipients. You will also give consideration to the ratio of awards granted and the number of qualified applications received each year at each institution to determine the number of scholarships available for C and D.

### **Details of C**

The goal of C is to help promising students from your state with limited financial means earn a college degree free of college debt. C will be publicized by you to the financial aid offices of B and will have a dedicated website which is linked to yours.

To be eligible for an award under C, applicants must be a resident of your state who show financial need which you will measure by using Federal Pell grant criteria. In addition, applicants must show outstanding academic achievement in high school, as measured by their high school rank, and their GPA.

You will determine the amount of each scholarship based on available financial information from the applicants and this may be done in collaboration with the designated educational institution. The awards are also renewable for three additional years (for a total of eight semesters), provided recipients maintain a cumulative G.P.A. of at least 2.5 on a 4.0 scale, and are enrolled on a full-time basis (12 credit hours or more each semester).

Each designated educational institution will create their own scholarship application forms consistent with their financial aid process as well as process the applications and nominate qualified applicants. The names of the nominees and their application packages will be then forwarded to you.

You will facilitate interviews of all nominees and make the final selection of recipients as well as determine the amount of each award. The number of nominees requested from each designated educational institution will be approximately double the number of anticipated awards to be granted at that institution. You will select the recipients based on financial need and merit. All recipients will be recognized on your website as well as through other methods.

### **Details of D**

The initial goal of D is to provide needs-based scholarships to students graduating from a designated high school in the E school district to complete a two- or four-year college education at a designated educational institution consisting of B. The majority of students from the schools in the E school district receive free or reduced- price lunch D is

promoted through a dedicated website with a link to yours. D is also publicized by the counseling offices of each high school in E who will also distribute applications for D.

To be eligible for D, applicants are to:

- Attend a designated educational institution consisting of B;
- Show a specific GPA;
- Demonstrate significant financial need;
- Show involvement as a community member with strong potential for success in the college setting;
- Articulate a plan for their education/career goals.

In addition, applicants must submit a completed application by a specific date with required attachments including an essay, financial information, and a letter of recommendation from a teacher to F who will then process the applications and nominate qualified applicants. The names of the nominees and their application packages will be then forwarded to you. You may also interview the nominees and will select recipients based on financial need and merit. Scholarships are renewable as long as the recipients maintain a specific GPA and are enrolled on a full-time basis as well as submit a summary of each year's college experience to you.

#### **Controls for C and D:**

You will communicate directly with the recipients regarding expectations of annual reports, grade updates including a transcript and other needed information. You will also have a staff member who serves as the primary point of contact for the designated institutions, recipients, and alumni. The staff member will be responsible for the management of all aspects of the scholarship programs including its promotion and any needed collaboration efforts. One goal of this position is to have clearly documented and consistently implemented processes in place for all scholarships at each of the designated institutions.

You will generally pay the funds directly to the educational institution who will administer and manage the scholarships. Further, you will encourage the recipients to work part time throughout the academic year to contribute to their support, but this is not required.

You represent that you will (1) arrange to receive and review grantee reports monthly, but no less than quarterly to ensure compliance with the purposes of the grant, (2) make tuition payments or payments for housing directly to the institution when possible, (3) distribute and ensure grant funds held by the grantee are used for their intended purposes, (4) investigate any perceived diversions of funds from their intended purposes and ensure such actions do not occur in the future, and (5) receive donations from a limited number of donors who are supportive of your program and provide appropriate documentation and reporting to donors.

You represent that you will maintain all records related to the following: (1) individual grants including information used to evaluate grantees, (2) grantees who 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 described above.

### **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.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements