

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201950007**

Release Date: 12/13/2019

Date: **September 17, 2019**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = Scholarship

C = State

D = Program

E = Number

F = Number

g dollars = Amount

h 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 called B. Your purpose is to support teacher preparation programs to address the needs of students in order to elevate the teaching profession in the state of C by encouraging C's best and brightest to pursue teaching as an important and fulfilling profession. To accomplish this purpose, you have launched a statewide program called D that includes partnerships with C institutes of higher education and the B scholarship for aspiring teachers.

You will award academic scholarships to university students enrolled full-time at an institution of higher education in a program that will lead to a teaching certificate. B will support top future educators at E universities across the state of C who have committed to teaching in C's majority economically disadvantaged public schools and in shortage subject areas. Each recipient will receive financial and professional support during their teacher preparation program.

Your scholarship program will provide the following:

- A scholarship of g dollars per year for up to four years per student for tuition up to the cost of attendance. Scholarship renewal will be automatic as long as students maintain eligibility. An additional h dollars per year is available if the specific program includes a summer session. You are open to beginning support for students at any time during their academic career. Students wishing to add additional time to their undergraduate work to pursue a master's degree in teaching so they can become classroom teachers are also eligible, but support for a particular student will be limited to four years, as long as the student remains eligible;
- A mentorship from a local educator or principal;
- Participation in local and statewide cohort meetings of aspiring teachers;
- An invitation to attend your annual leadership symposium;
- Inclusion in an on-campus teaching scholar club (e.g., funding for activities such as brown bag lunches, helping students connect with local subject matter experts, or providing experts to speak to students);
- Professional support as graduation nears, including resume and interview preparation assistance; and
- Access to an online community for scholars across the state to connect with one another.

The number of scholarships awarded will depend on the number of qualified applicants and available resources. You hope to initially award scholarships to at least E students at each of the E university partners. You will seek to add a total of approximately F students to the scholarship program for each of the first four years, with several hundred students eventually participating in the program and supported through scholarships in the next few years.

You will work with university partners to administer your program. Each university will designate a full-time university faculty member with significant responsibility for overseeing teacher preparation to serve as the program leader.

B will be publicized primarily through your university partners and your website. You will supply each university partner with a media packet and scholarship application. The media packet will include marketing materials to promote teaching and the program in their recruitment efforts.

Scholarship program eligibility requires that students meet the following criteria:

- Plan to enroll, or currently be enrolled in, an approved university partner program leading to a teaching certificate;
- Be a C resident (or plan to have a long-term career in C);
- Demonstrate a strong academic record or history of achievement;
- Demonstrate peer or group leadership skills;
- Demonstrate a commitment to pursuing a career in education in high-needs C public schools; and
- Commit to teaching in either a majority economically disadvantaged school or in a high-need subject area.

To maintain eligibility, a student scholarship recipient must:

- Remain a full-time student enrolled in a program that will lead to a teaching certificate in C (student teaching or internships in a C public school can count toward full-time status);
- Maintain a 3.0 grade point average (there will be an appeals process for university partners to recommend continued participation in the program if a student fails to meet this requirement);
- Remain enrolled in an approved university partner program;
- Be in good standing in the program; and
- Demonstrate a commitment to pursuing a career in education in a high-needs public school or a high-need subject area.

Your university partners will assist you in the student selection process by conducting the first round of selection based on an assessment of the applicant's application (including meeting eligibility requirements) based on a rubric provided by you. You will provide each university partner with a base application and a Scholarship Application Evaluation Guide to assist in the selection and identification of qualifying candidates. University partners can alter the application to include university specific criteria, including an additional essay question.

Your university partners will forward to you the materials they used to conduct the initial screening. These materials must include the student responses to your essay questions, the student resume, and the student academic record. Students who pass the initial screening conducted by the university partner will be expected to participate in your selection process, which may include an interview and sample teaching lesson.

For the second round of selection, students selected by the university partners will be invited to a regional screening where they will participate in an interview, teach a sample lesson of five to ten minutes and participate in a small group activity. Each element of this screening process will be observed and evaluated by a team consisting of your staff, principals of local public schools who were recommended by the university partners, and other principals/educators from across the state who requested to participate in the selection process. The final scholarship recipients will be selected from among these students based on the written materials, interview and teaching performance.

When selecting applicants, you will not discriminate on the basis of race, color, creed, age, sex, gender, sexual preference or orientation, disability, or national or social origin. The evaluation committee will select the applicants to be considered in the final round of interviews on a nondiscriminatory basis.

You will not award scholarships to any disqualified person, employee, or relative of any disqualified person or employee of your foundation. Relatives of selection committee members who are not affiliated with you are not excluded from scholarship consideration. A selection committee member may not participate in the interview process for a related person. Each selection committee member must affirm that he or she is not related to any scholarship applicant assigned for evaluation.

The scholarship program is designed to limit the opportunity for misuse of funds. All scholarship funds will be sent directly to the university partner. Each participating university is required to verify the eligibility of each scholarship recipient prior to funding the scholarship. Such verification includes the student's enrollment in and good standing with the university's teacher preparation program, as well as certification of the eligible grade point average.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by the 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 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.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements