

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

**Department of the Treasury**

Release Number: **202006013**  
Release Date: 2/7/2020  
**Date:** November 14, 2019

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**  
B = Country  
C = Country  
D = Number  
e dollars = Amount  
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 that you will operate a scholarship program for students in B and C, in order to provide for tuition, books, and equipment required for educational courses.

The purpose of your program is to encourage applicants to begin and complete a particular educational endeavor and not be limited from completing a program (or a year of school) due to a lack of financial support.

For the foreseeable future, your scholarship program will be offered in B and C. While operating your scholarship program in B and C, you have agreed to comply with the

procedures required by the Office of Foreign Assets Control (OFAC). The scholarships will be offered only at government recognized, approved or accredited schools in B and C.

Your scholarship will be publicized in newspapers at the end of each academic year. The number of scholarships will be dependent on the annual net income. You intend to award D scholarships the first year. You believe there is likely to be a large pool of candidates given the countries and schools involved, publication regarding the availability of scholarships, and overall need for student financial assistance. The scholarships will be awarded on an objective and non-discriminatory basis.

To be eligible for a scholarship, the student must:

- Demonstrate an academic ability and desire
- Be of good character and good citizenship, and
- Have a financial need.

Applicants must submit an application form. Applicants should include with the form any transcripts of current grades, a written statement demonstrating financial need, a list of scholarships or grants they are currently receiving, educational loans, career goals, and two letters of recommendation.

One of your representatives may contact a candidate to conduct a telephone interview as part of the final selection process. The selection committee will include one or more members of your Board of Directors, the Principal of each of the approved schools, the Secretary of each School Board (if available), and renowned local educationalists.

You will allocate between e dollars and f dollars per semester, which can be renewed annually for a maximum of four years. This is for students not on academic or disciplinary probation, and students that are making satisfactory progress toward completion of a degree.

You will take all necessary steps to establish the proper use of your funds by various means, including, but not limited to providing the funds for tuition and boarding directly to the school or boarding hostel and requiring each grantee to maintain satisfactory grades and progress at the schools.

The student will submit progress reports that will be verified with the educational institution each semester. Upon completion of the grantees study, a final report will be collected from the grantee.

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 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.

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

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