

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

Release Number: **202006014**

Release Date: 2/7/2020

**Date:** November 14, 2019

**Department of the Treasury**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

B = Scholarship  
C = State  
D = School  
E = School  
F = School  
G = School  
H = School  
J = School  
K = School  
L = Number  
M = Number  
N = Organization  
o dollars = Amount  
p dollars = Amount  
q 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. The purpose of B is to make grants to high school seniors interested in pursuing a college degree at a two or four-year college.

The purpose of B is to make scholarship grants to approximately L to M students across the state of C each year. The actual number of scholarships offered or awarded in any given year shall be at your discretion and based on available resources.

To be eligible for B, applicants must:

- Plan to enroll or be enrolled at one of these educational institutions: D University, E University, F University, University of C, G College, H College, J College, or any of the K College's District campuses
- The applicants must enroll for a minimum of 6 hours at a community college, 12 hours at 4-year university each semester
- Have a minimum of 3.0 GPA
- Be a U.S. Citizen
- Be a C resident, and
- Financial need as demonstrated by the submission of the Student Aid Report from FAFSA and verified by college financial aid; or by submitting an essay sharing extenuating circumstances.

You will collaborate with N to administer the applications. N administers a common online application for many different scholarship awards. The common application is designed to reduce burdens on applicants and grant makers. N announces the availability of the application and solicits applications through their website, social media, and email lists. You also use your website, social media, and email lists to widely publicize the availability of B.

Your scholarship committee will award scholarships on an objective and non-discriminatory basis. The following factors will be used by the committee in selecting scholarship award recipients:

- Scholastic achievement
- Community service
- Recommendation from teachers, guidance counselors, employers, and others in a position to comment on the recipient's character, ability, and seriousness of purpose, and
- Applicant's essay.

No student will be denied consideration or selection because of race, gender, religion, or ethnic origin.

Applicants complete their applications online using N's common application. Your staff downloads and sorts the applications, removing students who are not eligible according to the criteria set forth above. Your staff then sends the list to the college financial aid departments for input regarding unmet needs, FAFSA data, and hours enrolled. Once that information is received, students are ranked based on their unmet financial need. Your staff then recommends students based on those with the highest financial need to the Board and the Board makes a final decision. Persons involved with the selection of the grant recipients will be members of the board and staff and will not be in a position to derive a direct or indirect private benefit.

Instructions on how to request a renewal will be sent to recipients via email each spring semester. Community college students may request a renewal after two years if transferring to a four-year school. University awards are renewable for up to four years. Students must update their contact information with you to remain eligible for continuing awards.

The actual number of scholarships granted each year under the program maybe increased or decreased from time to time depending on your scholarship budget and the cost of higher education.

You will collaborate with N to administer the applications. N administers a common online application for many different scholarship awards. The common application is designed to reduce burdens on applicants and grant makers.

You anticipate scholarships will be granted to each student in the following amounts:

- Community College: o dollars – p dollars per semester based on the number of enrolled hours
- University: q dollars per year, split between fall and spring semesters, and
- Graduate level study will be awarded on a case by case basis for continuing scholars only.

You make the payments directly to the school. You first verify that the school is either a tax-exempt organization or a public institution and is not now or has not within the last five years been classified as a private foundation. By accepting the scholarship payment, the educational institution agrees that these funds will be used exclusively for tuition and fees required for enrollment and attendance of the selected student or for fees, books, supplies, and equipment.

The recipients' educational institution will send semester (or quarterly) reports to you detailing courses taken and grades received for the period covered by the scholarship.

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' assurance 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