

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

Department of the Treasury

Number: **202007020**
Release Date: 2/14/2020

Employer Identification Number:

Date: November 18, 2019

Contact person - ID number:

Contact telephone number:

Legend:

b = number
c dollars = amount
d dollars = amount
e 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

You will operate a program providing b scholarships to two local high schools. They will be made available to graduating seniors and awarded, based on the scholarship, to those who meet the specific requirements of the particular award. Scholarships will be in the amount of c or d dollars, for a total of e dollars.

To be eligible students must meet one of the following:

- Furthering study in a certain field, such as medicine

- Participated in a certain school sport, such as wrestling
- Has participated in a certain activity or club
- Has been active in charitable works
- Has a disability
- Has a great financial need
- Has had difficult circumstances to deal with growing up

Other criteria may be considered such as past academic performance, performance on tests designed to measure ability and aptitude for college work, recommendations from instructors, financial need, character, or the conclusions that the selection committee (school counselors) might draw from personal interviews.

You will publicize your scholarship on the high school's website and require verification that the advertisements have been posted on their website. The current members of your selection committee are the high school counselors. Scholarships will be awarded on an objective and nondiscriminatory basis.

Steps will be taken to ensure that procedures are in place to verify that scholarship recipients have performed the activities that the grants/scholarships are intended to finance and that no funds have been diverted away from the original purpose. Qualified education expenses include tuition and fees, as well as course-related expenses such as books, supplies, and equipment. The scholarships have a term of one academic year.

In order to receive funds, a recipient will be required to verify that he/she has successfully registered for a semester of college or trade school. In most cases, the funds for each scholarship will be paid by one payment at the beginning of the semester. This is required in order to prevent scholarship funds from being misappropriated.

You will take all reasonable and appropriate steps to ensure that scholarship funds are spent appropriately. If you receive information indicating that a scholarship recipient has violated the terms, you will take all reasonable and appropriate steps to recover the diverted funds.

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