

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Number: **202009031**
Release Date: 2/28/2020

Date: December 3, 2019

Department of the Treasury

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = Scholarship
C = City, State
D = County
x dollars = amount

UIL: 4945.04-04

Dear _____ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code (IRC) 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 IRC 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 IRC Section 117(b)).

Description of your request

Your letter indicates you operate a scholarship program called B. The program is designed to provide college education for low-income individuals. Each scholarship is approximately x dollars per semester for a full-time student. Amounts will cover tuition, books, and supplies necessary for benefits of educational studies and/or room and board.

Eligibility requirements for the program include:

- Must be a resident of C (or within a _____-mile radius) and reside in D County

- Must be a high school graduate
- Must have an overall GPA (grade-point average) of 2.0
- Must meet specified medium annual household income requirements
- Must provide two signed letters of recommendation, a personal essay, and a short video (only those applying to performing arts schools must provide the video to showcase specific area of interest)

Recipients will be chosen on an objective and non-discriminatory basis without regard to race, creed or national origin. The selection criteria will include, but will not be limited to, the student's demonstrated academic ability and desire, character, good citizenship, and economic necessity. The selection committee will be composed of your board of directors and judge's committee. Recipients cannot be related to a member of the selection committee or to any "disqualified persons".

Scholarships can be renewed annually for a maximum of five years, provided the recipient is not on academic or disciplinary probation and is making satisfactory progress toward completion of degree. Your "Scholarship Rules" include:

- Must maintain a GPA of 2.0 or above as evidenced by an official transcript at the end of each semester
- Must set up a twice-yearly meeting with you and monthly communications with assigned mentor
- Must provide a written transcript release on file with the college/university financial aid office
- Must submit a final report upon completion of study

You will obtain and verify progress reports and transcripts with the college/university each semester. If no report is filed by the recipient, or if reports indicate that the funds are not being used to further your intended purpose, you will investigate. While conducting the investigation, you will withhold further payments from the recipient and will take reasonable steps to recover grant funds until it has been determined that the funds are being used for their intended purpose.

You will maintain all records submitted by the recipient or their college/university. This will include evidence that no recipient is related to you or to any members of the selection committee.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (IRC 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 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 Section 117(a).

- The grant is to be used for study at an educational organization described in 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 IRC 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