

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **202043012**

Release Date: 10/23/2020

Date: July 30, 2020

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = Company

C = Date

D = Minimum Grade Point Average

E = Maximum Grade Point Average

x dollars =

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 provide in IRC Section 117(b)).

Description of your request

You have recently made three changes to your scholarship program previously approved by the Internal Revenue Service on C.

The first change to the program eliminates the requirement of submitting applications and attachments via paper. You will now require an all-electronic application submission. The application process will continue through a third-party administrator.

The second change to the scholarship program involves eligibility. Specifically, you are adding an additional eligibility requirement of annual household income equal to or less than x dollars. In addition, you state your Board of Directors may choose to add the eligibility of dependent grandchildren. Finally, you are adding to the eligibility selection any management committee member of B (including all its affiliates and subsidiaries).

The third change to your scholarship program concerns the renewal of scholarships. You have the option of renewing the scholarship up to three times, resulting in a total of four years of eligibility. The renewal process is up to three consecutive years or until the completion of a bachelor's degree, whichever comes first, on the basis of satisfactory academic performance (maintaining a minimum grade point average of D on a E scale).

You state in evaluating renewals, an award recipient's parent or grandparent's employment with B or any of its affiliates or subsidiaries, will not be considered.

You indicate the amended scholarship program will meet the 25% Test under Revenue Procedure 76-47 and Rev. Proc. 80-39.

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 Code Section 117(a).
- The grant is to be used for study at an educational organization described in IRC 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