

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

Department of the Treasury

Number: **202046011**
Release Date: 11/13/2020

Date: August 18, 2020

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = Local High School #1
C = Local High School #2
D = City, State
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

Your letter indicates you will operate a scholarship program to award scholarships annually to high school seniors at B and C located in D. All scholarships will be made for courses of study at accredited colleges and universities that qualify under IRC Sections 509(a)(1) and 170(b)(1)(A)(ii).

You represent that you will award approximately four scholarships worth up to x dollars each, depending on your available funding and the demonstrated financial need of applicants.

You state that your scholarships are advertised through the guidance offices at both high schools. Any student may apply for your scholarships by submitting a completed application form to the guidance office. The application form requests information on the applicant's college admissions status, career plans and future aspirations, anticipated college expenses, financial need, school and community activities, work experience, family composition, and any special circumstances that the applicant wishes to disclose for consideration during the selection process.

The schools' faculty members and guidance offices are responsible for pre-screening these applications and transcripts for scholarship eligibility using the following criteria: academic performance, extracurricular activities, community service, and financial need. Guidance offices then forward eligible students' applications and transcripts to your selection committee, which consists of at least three members of your board of directors.

Your selection committee further screen applications and then conduct personal interviews of no more than six students per school. Final selections are based on financial need, grade point average, extracurricular activities, volunteer work, community involvement, faculty recommendations, essays, and personal interviews. Financial need is heavily weighted and determined by applicants' responses to your scholarship form.

Scholarships are renewable for up to four years if students maintain a minimum grade point average. Scholarships are paid to the scholarship fund at each high school and disbursed directly to recipients or recipients' colleges or universities. Your scholarship committee will monitor and report recipients' academic performances for scholarship renewal decisions.

You represent that you will arrange to receive and review annual reports on your scholarship recipients. Upon completion of the purpose for which the scholarship was awarded, you will also investigate diversions of funds from their intended purposes and take all reasonable and appropriate steps to recover diverted funds. Additionally, you will ensure other scholarship funds held by recipients are used for their intended purposes and withhold further payments until you obtain reasonable assurances that future diversions will not occur and that recipients will take extraordinary precautions to prevent future diversions.

You represent that relatives of the members of the selection committees, as well as your officers, directors, and substantial contributors are not eligible for your scholarships. You will maintain case records for your recipients that include their names, addresses, the purposes for the scholarships, the amounts of the scholarships, the manner in which recipients were selected, and the relationships (if any) to your officers, directors, and/or substantial donors.

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 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 IRC 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.

We've sent a copy of this letter to your representatives 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

cc: