

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

Department of the Treasury

Number: **202048010**
Release Date: 11/27/2020

Date: September 1, 2020

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = Name
C = Name
D = School
E = City
F = Name
G = Name
H = Name

UIL: 4945.04-04

j dollars = Amount
k dollars = Amount
m dollars = Amount

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 provided 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 provide scholarships to help pay for four years of tuition and room and board for students enrolled in C while completing their college education at D as well as award additional scholarships to help pay for tuition and books for summer school. C was established by D to help academically accomplished, lower-income students remain in college and is targeting to help a demographic typically susceptible to dropping out due to a range of factors. In addition, B is designed to make college truly affordable and provide the support and services that each student needs to be successful.

B is promoted through D which hosted a meeting for college counselors from public high schools in E and plans to do presentations for students at these high schools while providing informational brochures. D has also partnered with F to promote B. F is another organization which was formed by G University to help high school graduates succeed in college.

To be eligible to apply for a scholarship, candidates must:

- Meet standard admittance requirements to attend D;
- Be a graduate of a high school located in E;
- Be eligible for an H scholarship;
- Be eligible for Federal Pell grants with their Family Expected Contribution (FEC) not exceeding j dollars.

All candidates must fill out an application, which is generally available on line, provide financial information, provide standardized test scores, submit reference letters and complete essays and be willing to participate in an interview. All candidates must also acknowledge that if they are selected, they must commit to a minimum number of hours of study hall per week as set by D while meeting with a success coach on a regular basis.

All applications will be reviewed and evaluated by D led by its Vice President of enrollment and admissions office personnel. D will also select the final recipients. Your officers, directors, and donors will not participate in the selection process and family members of these individuals are not eligible for scholarships.

In addition, the number of scholarships may vary each year based on recommendations from D. At this time, you plan to award a basic scholarship of k dollars total over 4 years, towards tuition, room and board for students enrolled in C at D. Based upon recommendations from D, you will also award scholarships to cover (i) tuition and books for summer school and (ii) m dollars per semester for C students at D who lose or exhaust their resources. Additional scholarships will be provided to cover the FEC for students accepted into the program with an FEC of j dollars per year.

You will pay scholarship funds directly to D, which will manage the funds on the recipient's master account. Furthermore, you will pay summer scholarships authorized by D directly to those universities. Any funds awarded to pay for textbooks will be paid directly to a university's bookstore for approved summer school courses. You will not make any payments directly to a recipient

To continue to receive the scholarship each year, a student must continue to be enrolled in good standing at D and in C. As part of C, D requires that each student complete a minimum number of credit hours per academic year and maintain a minimum GPA at the end of the first semester as well as a minimum cumulative GPA for the end of the first year. This increases for each year thereafter. If a student meets the minimum number of credit hours as required by D, but misses the GPA minimum by less than then D, at its option, may allow a student to continue to remain in C for up to two additional semesters to regain eligibility for scholarships under B.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversion from occurring.

You represent that you will maintain case histories and document recipients of grants, including names, addresses, amount of grants, purpose of grants, manner of selection and proof that they were not related to officers, trustees or donors.

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