

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

**Department of the Treasury**

**Date: October 13, 2020**

Number: **202101010**  
Release Date: 1/8/2021

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

B = Scholarship  
C = Scholarship  
D = Scholarship  
E = State  
F = Ethnicity  
G = Ethnicity  
H = School  
J = School  
K = University  
L = Association  
M = Association  
r dollars = Amount  
s dollars = Amount  
t dollars = Amount  
u dollars = Amount  
v dollars = Amount  
w dollars = Amount  
x dollars = Amount  
y dollars = Amount  
z dollars = Amount

Dear \_\_\_\_\_ :

You asked for advance approval of your educational grant procedures under Internal Revenue Code Section 4945(g)(1). 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**

Your letter indicates that you will operate an educational grant program. The purpose of your grants is to further your exempt purpose of promoting education. You will do this by awarding grants to graduating high school seniors who intend on furthering their education at qualified educational institutions, including colleges, universities, and vocational schools.

To advertise your grants, you represent that you rely on your website and local high school guidance counselor offices. At a minimum, your grants require an application form, two letters of recommendation, and a personal photograph that must be submitted by an annual deadline. Additional qualifying criteria are required for some of your grants. Candidates may apply for more than one grant by following the submission guidelines in the application form. Grants are not renewable.

You represent that your grant program consists of three classes/categories, B, C, and D. B and C were created pursuant to agreements between you and your donors to award grants to graduating high school seniors in E who are furthering their education. Twelve different grants are included in these two classes.

One grant of r dollars is awarded annually to a graduating high school senior attending a local public school. The recipient must be pursuing a post-secondary education and have at least a 3.50 grade point average. Preference will be given to applicants who can substantiate an F ethnicity.

Three grants of t dollars are awarded annually to graduating high school seniors attending local public schools. Recipients must be pursuing a post-secondary education in the field of education and rank within the top 25 percent of their graduating senior class.

One grant of t dollars is awarded annually to a graduating high school senior attending a specific local area public high school. The recipient must be pursuing a post-secondary education at a four-year college or university; rank in the top 25 percent of his or her graduating class; and demonstrate participation in extracurricular and community activities. Preference will be given to applicants with a G ethnicity.

One grant of u dollars is awarded to a graduating high school senior attending a local public school. The recipient must have attended H for a period of three or more years. The recipient must also be pursuing a post-secondary education and rank in the top one-third of his or her graduating senior class.

One grant of u dollars is awarded to a high school senior attending a local public school. The recipient must have attended J. The recipient must also rank in the top 50 percent of his or her graduating senior class, as well as demonstrate financial need and outstanding personal character to the satisfaction of the selection committee.

One grant of t dollars is awarded annually to a graduating high school senior attending a local public high school. The recipient must be pursuing a degree in the field of education and rank in the top 25 percent of his or her graduating senior class, while also demonstrating outstanding personal character to the satisfaction of the selection committee.

Three grants of t dollars are awarded annually to graduating high school seniors attending local public schools. Recipients must demonstrate work histories with an intent of earning and saving money to defray the costs of furthering their education after high school. In addition, recipients must rank in the top one-third of their graduating senior classes, demonstrate good citizenship behaviors, and demonstrate participation in extracurricular activities.

One grant of u dollars is awarded annually to a graduating high school senior attending a local public high school who plans to major and/or minor in a foreign language and demonstrates to the satisfaction of the selection committee why he or she should be considered for the grant.

One grant of u dollars is awarded annually to a graduating high school senior attending a local public high school. The recipient must have attended a specific local elementary school. The recipient must demonstrate achievements in academic, extracurricular, and community pursuits to the satisfaction of the selection committee. In addition, the recipient should demonstrate leadership skills and explain how his or her pursuit of higher education will make a valuable contribution to the improvement of society.

Two grants of u dollars are awarded annually to graduating high school seniors that completed qualifying vocational coursework during their junior and/or senior years of high school. Recipients must demonstrate how their vocational education, academic achievements, and school activities have had a positive impact on their community.

One grant of u dollars is awarded annually to a graduating high school senior that completed qualifying vocational coursework during his or her junior and/or senior years of high school. The recipient must demonstrate how his or her vocational education, academic achievements, and school activities will positively impact society through vocational education.

One grant of z dollars is awarded annually to a student enrolled at K to allow him or her to continue his or her education at the university. There is no restriction as the area of study. The student must demonstrate to the satisfaction of the selecting committee that he or she has paid part of his or her tuition through paid employment, in addition to demonstrating academic achievement and successive leadership

Within these two classes, B and C, you represent that eligible candidates must meet one or more of the following criteria: graduating from a specific public high school; maintaining a minimum grade point average; inclusion in a specific minority group or religion; participating in certain academic and/or extracurricular activities; and/or pursuing a career in a specific field of study. Relatives and descendants of donors are precluded from the pool of eligible candidates.

You represent that your donors appoint your grant selection committee. For B, donors appoint an external committee, typically consisting of the administration and faculty from local public schools. For C, donors appoint your board of trustees. Any member of the selection committee will excuse himself or herself from the selection process if it is discovered that he or she would derive a direct or indirect benefit from the selection of a candidate.

For both classes, you represent that selection committees collect and review applications before choosing recipients based on the above-stated selection criteria. You state that this selection criteria furthers your exempt purposes of promoting the cause of education while also providing an objective and nondiscriminatory basis for awarding grants.

Your third grant class, D, was created pursuant to an agreement between you and former members of the L to award grants to the children and grandchildren of L members, L retired members, or M members who are also former L members.

The level of involvement of applicants' parents and/or grandparents in the L will be used as a factor in selecting grant recipients, along with the student's merits, such as Grade Point Average (GPA), extracurricular activities, volunteer work, community involvement, and letters of recommendation. The minimum level of involvement of the parent/grandparent must be three years and may be demonstrated through participation in the L's activities and committees. You state that this selection criteria furthers your exempt purposes of promoting the cause of education by providing worthy students with scholarships.

The following grants will be provided to graduating high school seniors pursuing a post-secondary education in any field that submit the required application and accompanying materials and demonstrate to the satisfaction of the selection committee that their personal character and academic accomplishments will reflect positively upon the L:

- 1 grant of v dollars
- 12 grants of w dollars
- 10 grants of x dollars
- 7 grants of y dollars
- 1 grant of r dollars

Two grants of u dollars are awarded to graduating high school seniors pursuing post-secondary degrees in the field of education. Two additional grants of u dollars are awarded to graduating high school seniors pursuing post-secondary educations in the

field of elementary education. Recipients must demonstrate to the satisfaction of the selection committee their personal behavior and character will reflect positively on the teaching staffs of their high schools as well as your organization.

You represent that your board of trustees serve as the selection committee. Any committee member will excuse himself or herself from the selection process if it is discovered that he or she would derive a direct or indirect benefit from the selection of any candidate for any of your grants.

For disbursement of grants, you represent that educational institutions directly receive the funds if they agree to (1) provide an annual report on the academic progress of each recipient; (2) notify you if any recipient fails to meet required academic standards or misuses funds; and (3) refund any unused portion of a revoked grant. Institutions that do not agree to these terms will not receive any funds. You will inform grant recipients of the institutions' refusal of your terms.

To ensure grants are used for their intended purposes, you represent that you will conduct reviews of annual reports provided by educational institutions. Diversions of grants from their intended purposes will be investigated and any future disbursements will cease until the institution and/or the recipient provide reasonable assurance that preventative measures have been implemented to mitigate any future diversions.

To maintain records, you represent that you keep the following on file: the names and addresses of grant recipients; how each recipient was selected; the purposes for and amounts of each awarded grant; and the relationship (if any) between grant recipients and your officers, trustees, and/or donors. You represent you will also maintain records of the annual reports provided to you by educational institutions, as well as records of any reports and/or investigations of diversions of grants.

### **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 covers only 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 precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in 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 make 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 must 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 any questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements