

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

Department of the Treasury

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Number: **202101011**
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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

UIL: 4945.04-04

LEGEND

X= Name
B= State
C= State
D= State
E= State
F= State
G= State
H= Region

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 X.

Your purpose includes granting scholarships that provide assistance to high school and college students who wish to continue their education in pursuit of a bachelor's degree.

The purpose of X is to ease the financial burden of a four-year college program by awarding a renewable scholarship to be used for tuition, fees, and room and board.

To promote X, you will post information on your website as well as circulate and post announcements to high schools and colleges in states located in H consisting of C, D, E, F, and G.

To be eligible to receive an award under X, individuals must:

- Be a college or high school student in pursuit of their first four-year bachelor's degree;
- Be a United States citizen or a lawful permanent resident living in the United States with a work permit as well as a permanent resident of H;
- Demonstrate academic achievement as determined by you through a review of a student's grade point average and course of study;
- Have a history of part time employment;
- Demonstrate financial need.

To apply for a scholarship under X, eligible individuals must electronically submit a completed application that is found on your website along with all required attachments by a specific due date. The required attachments include an essay, references, transcripts, and a resume as well as detailed financial information including the most recent Student Aid Report.

Once the applications are received, your employees will review all applications and hold a roundtable discussion to prepare and provide a list of recommended scholarship grantees to your Trustees. All scholarships will be awarded based on academic achievement, financial need, commitment to serving others, strong work ethic and leadership qualities. Your Trustees will make all final decisions on scholarship grants.

Moreover, in selecting scholarship recipients, you will not discriminate on the basis of race, color, creed, sexual orientation, sex, national or ethnic origin or any other illegal discriminatory criteria.

Further, your trustees will determine the amount available for scholarships on an annual basis. Typically, grant amounts to each recipient will vary, will be based on the amount charged by the recipient's educational institution and will be less than the amount directly billed to the recipient. Moreover, the number of scholarship grants and the amount of each grant will be based on the number of applicants, the number of renewal scholarships, and the funds available in a given year as determined by your Trustees. In order for recipients to renew their scholarship award, they are required to submit a renewal application, detailed financial information and a transcript through the most

recent semester showing they have maintained at least a 2.5 GPA and are still enrolled in a four-year program.

You will typically pay all scholarships directly to the recipient's educational institution and such educational institution shall agree to use the scholarship for the recipient's expenses or to pay the funds (or a portion thereof) to the recipient only if the recipient is enrolled at such educational institution and standing at such educational institution is consistent with the purposes and conditions of your scholarship.

You represent 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, (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 diversions from occurring.

You represent that you will: (1) maintain all records relating to individual grants including information obtained to evaluate grantees, (2) identify whether a grantee is a disqualified person, (3) establish the amount and purposes of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

Finally, you indicated that you may receive grants from other charitable organizations and private donors to be used for scholarships which may bear the name of the donor's choosing. You will use similar procedures as those for X to administer these scholarships.

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