

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

**Department of the Treasury**

Number: **202113010**  
Release Date: 4/2/2021

**Date: January 5, 2021**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**  
Y= Name  
z dollars = Amount

UIL: 4945.04-04

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.

The purpose of the scholarship is to award funds to a deserving, high school student intending to pursue an education at a qualified educational institute including a private or vocational school as long as a curriculum can be established. Another goal of the scholarship program is to provide opportunities for students and a better-educated workforce for the community.

Scholarships will generally be less than z dollars and are generally for one year, but multi-year scholarships may be awarded based on the discretion of your Board. The scholarships are to be used for attending a qualified educational institution as well as for related expenses and equipment associated with the student's course work.

To be eligible for a scholarship, the applicant must:

- Attend a private school in Y;
- Be a foreign-born individual;
- Be pursuing high school athletics;
- Have at least a 2.0 Grade Point Average (GPA);
- Demonstrate community involvement;
- Complete a minimum of 25 hours of community service;
- Not have a relationship with any board director or staff member.

To promote your scholarship, you will use your own communications and your website, and advertise through several social media platforms as well as through local schools. Further, you are committed to publicize the scholarship program to underserved populations and will strive to eliminate barriers in the application process.

To apply for the scholarship, the applicant must submit an application package including your application form, two letters of recommendation, an official high school transcript and a personal essay generally by a specific date. All application packages are reviewed and evaluated by your Selection Committee whose members are appointed by your Directors. Once reviewed and evaluated, the Selection Committee will present final recommendations to the Directors, who will make the final decision.

Once approved, the recipient is notified of the amount of the scholarship, the purpose for which it should be used, and requirements (if any) that should be met to receive the scholarship. The recipient then is required to agree to the terms of the scholarship in writing as well as agree to provide you with contact information during the academic year. The recipient must also provide you evidence of registration at a qualified educational institution before any funds are disbursed.

You will generally write scholarship checks to the scholarship recipient and will make them payable to the school with the recipient's name included in the correspondence so that the correct student account is credited. Scholarships are only for the benefit of the specific recipient and schools may not use the scholarship for other purposes, or the school must return the scholarship to you.

Circumstances may occur in which recipients are not able to complete the terms of the scholarship. If the recipient does not complete the term or withdraws from school, the recipient must notify you in writing with the reasons and their future intentions. You reserve the right to request restitution of monies expended for the term or period of withdrawal.

If you learn that all or any part of the scholarship is not being used for the intended purposes, you will take all reasonable and appropriate steps to recover the scholarship monies and/or ensure restoration of the diverted funds to the purposes of the scholarship. If such a diversion occurs and the school has not previously diverted scholarship funds, you will withhold any further payments to the school until you have received the school's assurance that future diversions will not occur. You may also require the school to take extraordinary precautions to prevent future diversions from occurring.

Where a school has previously diverted funds received from you and you determine that any part of a scholarship has again been used for improper purposes, you will take all reasonable and appropriate steps to recover the scholarship monies and/or ensure restoration of the diverted funds for the purposes of the scholarship. In such case, you will withhold further payments until: (1) the diverted funds are in fact recovered or restored to the student's account; (2) you have received the school's assurances that future diversions will not occur; and (3) you require the school to take extraordinary precautions to prevent future diversions from occurring. The phrase "all reasonable and appropriate steps" as used above, shall include legal action where appropriate, but need not include legal action if such action would in all probability not result in the satisfaction of execution on a judgment.

You will maintain the following records regarding scholarship information in keeping with your document retention and confidentiality policies including:

- Electronic copies of all scholarship applications, both awarded and denied;
- Records on all recipients and their respective scholarships;
- Conflict of Interest documentation.

#### **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