

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Number: **202120017**
Release Date: 5/21/2021

Date: February 23, 2021

Department of the Treasury

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

W = Scholarship
X = University
y 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 called W.

The purpose of the program is to provide academic scholarships for students attending X. Scholarships are currently in the amount of y dollars, with amounts and number of scholarships depending upon available funds. You expect a candidate pool of between 200 and 250 students. The program is publicized on your and X's website and via applications distributed to school counselors.

All students currently attending or who will attend X may apply. Preference will be given to students from particular high schools and those who major in specific fields.

Scholarships will be awarded on an objective and nondiscriminatory basis. Selection criteria will include high school attended, GPA, ACT score, intended university major, a written essay and letter of recommendation. The selection committee will be composed of your board of directors. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for awards made under your program. Grants will not be provided to "disqualified persons".

Scholarships are provided on a one-time basis (not renewable). Funds are provided directly to X prior to the fall semester. If the student does not attend, X will refund the money to you.

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 diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and 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 maintain all records related to the following: (1) individual grants, including information obtained to evaluate grantees, (2) whether a grantee is a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of the 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 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