

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

**Department of the Treasury**

Number: **202120019**  
Release Date: 5/21/2021

**Employer Identification Number:**

**Contact person - ID number:**

**Date:** February 23, 2021

**Contact telephone number:**

**LEGEND:**

B= program name  
C= area  
D= name locations  
x dollars= amount 1  
y dollars= amount 2  
z dollars= amount 3

**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 provide in Code Section 117(b)).

**Description of your request**

You will operate a scholarship program (B) to encourage and support, as well as provide financial assistance, to students who have suffered the loss of a parent, step-parent, or guardian, and who attend, or plan to attend, a college or university on a full-time basis.

You will publicize B through multiple channels, including your website and social media platforms. You will also arrange for B to be included in the list of available scholarships referenced by guidance offices in high schools in C; specifically, D counties. In addition,

members of your selection committee will seek to identify and encourage potential candidates to apply and generally promote the availability of B.

Potential recipients will submit an application form, an official transcript, a personal statement, and at least one letter of recommendation from a teacher or employer. Applicants related to your officers, directors, selection committee members, or substantial contributors are not eligible for awards.

To be considered for B, an applicant must:

- Have suffered the death of a parent, step-parent, or guardian
- Be a resident of C (D County)
- Be either a graduating senior who has been accepted at a college or university, or be currently enrolled in a college or university
- Have a minimum cumulative grade point average ("GPA") of 3.0

You will form a selection committee, initially composed of a subset of your Board of Directors. New members of the selection committee will be individuals who are determined by your Board to possess the requisite knowledge, experience, and abilities to serve on the selection committee. Each member of the selection committee must disclose the existence of a relationship that they have with any potential grantee under consideration. Further, a selection committee member will refrain from participation in the award process if such member could derive, directly or indirectly, a tangible private benefit from any potential grantee's selection over that of other potential grantees.

The specific criteria the selection committee will use to select recipients are as follows:

- Character of the applicant, as showcased in their personal essay, letters of recommendation, and the interview conducted by the selection committee. In particular, you are looking for applicants who can demonstrate the following qualities: empathy, integrity and drive to succeed
- Academic excellence as exhibited by the applicant's GPA
- A strong work ethic as evidenced by outside commitments, such as employment, dedication to his or her community through volunteering in civic activities or meeting other communal responsibilities.

Awards will not be made on the basis of race, sexual orientation, religion, or gender.

You expect to award a maximum of four grants per year. The amount of each scholarship grant will be between x dollars and y dollars each year, up to a maximum of z dollars over a four-year period. Grants may be used to cover the cost of tuition, room and board, and living expenses.

Applicants are required to be (or become) enrolled in an educational institution on a full-time basis. Grants may be renewed for up to four years, contingent on the grant recipient maintaining a cumulative GPA of 3.0 or higher. In order to receive additional funds, the student must submit a written request to renew the scholarship, and any related information you may reasonably request. If a grant recipient is unable to remain in good

standing with the educational institution, you may accommodate them if such poor status is a result of extenuating circumstances. Such accommodation will be granted at the sole discretion of your Board of Directors on a case-by-case basis.

You will disburse funds directly to the educational institutions at which recipients are enrolled. You will require each institution to agree to use the grant funds for tuition and related expenses or to apply the funds otherwise for the benefit of the recipient but only if the recipient: (1) is enrolled at such educational institution and (2) remains in compliance with the institution's academic requirements necessary to obtain the desired educational degree. If a grant recipient fails to enroll, drops out, or fails to remain in compliance with the institution's academic requirements, such institution will be required to return all unused grant funds to you.

You will require each grant recipient to provide an annual narrative report describing their experiences and accomplishments over the past academic year. Failure to submit the required report, or where such report, or other information, indicates that all or part of the grant is not being used for its intended purpose, you will withhold further payments, to the extent possible, during the course of your investigation of the jeopardized grant. In the case of misused funds, you will determine if the situation is a mistake and whether it can be corrected. If you discover that grant funds have been misappropriated, all reasonable steps will be taken to recover any diverted funds or to ensure that any unused portion is either returned or used for the intended purpose of the grants. In any case where you have determined that grant funds have been misused, you will refrain from making additional disbursements and take further appropriate action as necessary.

You represent that you will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook adequate supervision and investigation of diversion of grant funds.

### **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.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

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