

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

Department of the Treasury

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Contact person - ID number:

Contact telephone number:

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LEGEND

X= Name
Y= Location Name
b = Number
c dollars = Amount

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.

You are dedicated primarily to supporting programs that assist individuals who are blind or visually impaired live independent and productive lives.

X aims to help make quality undergraduate and graduate education affordable for U.S. residents who are legally blind, financially needy, and attending any of b selected private colleges in the Y area. Through X, you plan to support a legally blind or visually impaired

student's full-time program of study leading to a 4-year (Bachelor's) degree or graduate degree.

Your Scholarship Program Committee oversees X at a policy level but does not participate directly in the vetting and selection of recipients. Committee members are selected by your Board during the annual meeting. Criteria for membership are familiarity with the special needs of college students who are blind as well as a devotion to advancing such students' educational and career success. X is administered by your Scholarship Program Coordinator who will collaborate with each partner college as well as oversee the recruitment and selection process.

To promote the availability of X, the Scholarship Program Coordinator will conduct outreach efforts including meeting with students, families, state agencies, high schools, colleges and professionals in the blindness education and rehabilitation fields.

Specifically, to select qualified recipients, a college-readiness assessment process will be used. Under this process, the Scholarship Program Coordinator will generally review transcripts from school and previous colleges; conduct a basic technology assessment, review feedback from instructors and service providers who have interacted with the student; and, interview or observe the student. This process will identify those who best demonstrate consistent academic achievement, work well with peers, teachers and school representatives, and possess the adaptive mobility, technology and independent living skills that will enable them in college.

To determine the amounts of the grants, each affiliated school's financial aid office completes an online tuition voucher which automatically calculates total college cost (defined to include tuition, fees, room and board, and books) minus all financial aid other than yours as well as the expected family contribution that is, what the college (FAFSA) determines the family can afford to pay without borrowing. The remaining amount is considered the last dollar of need. Based on last dollar of need, under X you will provide up to a maximum of c dollars per fall and spring semester excluding summer and winter.

To determine the number of annual awardees, you will use two variables consisting of:

- The number of newly admitted students at each partner college and university that meet all criteria for X; and/or
- Whether or not your current fiscal year scholarship budget for each college has been fully expended.

To obtain, maintain or qualify for renewal of a grant, recipients are expected to remain full-time students in good standing at an affiliated school. Students who reduce their credit load to part-time may be discontinued from X (exceptions may apply in cases of medical or other hardship). Students who are terminated or withdraw from school are discontinued from X. Students who are placed on academic probation have one additional semester covered by the scholarship in which to improve their grades and have the probation removed, otherwise the scholarship is discontinued.

Students who transfer to nonaffiliated and/or non partner schools are also discontinued from X. In addition, recipient students who are subsequently determined to be financially ineligible based on the calculation of the online tuition voucher will be discontinued from X for any semester in which they are ineligible. Further, students are provided the scholarship for the standard number of semesters required to complete the program (e.g., eight semesters per 4-year degree). Additional semesters are approved only on a case-by-case basis in situations of medical or other hardship.

Each semester, you will pay the needed scholarship dollars directly to the participating colleges Financial Aid or Bursar's offices. The colleges will then ensure that the funds are used exclusively for the agreed student support purposes. If the terms of the scholarship are violated, or an error is made in the calculation of student eligibility, You seek reimbursement from the partner school.

The procedures for supervising the scholarships is the responsibility of the Scholarship Program Coordinator. Specifically, the Scholarship Program Coordinator provides support and advocacy for the student as necessary, and monitors student performance by collecting transcripts upon completion of each semester.

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.

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