

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:

UIL: 4945.04-04

LEGEND

B= Name
C= Location
D = Names
E = Organization
x dollars = Amount
y 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 B.

The purpose of B is to encourage youth in C to pursue post-secondary education at a university, college, or vocational/technical college, especially in the area of agricultural studies. Under B, you anticipate awarding annual scholarships for x dollars to non-

agricultural majors and y dollars for agricultural studies majors. The awards are renewable for up to three additional years for a total of four annual scholarship awards per recipient.

To promote B, you will distribute announcements as well as application materials to the high schools in the counties of D in which eligible applicants must reside and to any individual that requests the materials. In addition, you intend to create a website that will advertise B as well as use it to make available all application materials.

To be eligible for an award under B, the applicants must:

- a. Intend to enroll in a postsecondary institution that may be a public or non-public university, college or vocational/technical college;
- b. Be students of parents who live in the counties of D as of June 1 of each application year;
- c. Be in good academic and social standing;
- d. Have demonstrated probable success in postsecondary education;
- e. Submit a complete application package with the following:
 - o A copy of their current educational transcripts that includes their cumulative grade point average (GPA);
 - o A letter of introduction, written by them which provides biographical information about themselves, their educational and career goals, and how B will help them achieve those goals; and
 - o Two letters of recommendation that describe their improvements; contributions; and successes. Letters may be from a current or prior teacher; counselor; principal; church leader; or other organizational leader that is not a member of their immediate family.

The applications will be reviewed by an independent selection committee whose members are chosen by you. Members will generally include one individual from E, one individual from each county consisting of D who has significant involvement in their community or ties to education; and one individual with farming or other agricultural experience. When replacing members of the selection committee, you will choose individuals who have the same or similar qualifying characteristics as the original committee member being replaced.

To evaluate the applications, each member of the Selection Committee will review each application using a guide that you have created for this purpose. Specifically, each committee member will independently rank each application using a scorecard provided by you to ensure consistency. Particularly, each applicant's grade point average, leadership activities, school and community involvement, letters of recommendation, educational goals, personal/life changes, community and civil service activities, and overall career objectives will be evaluated and scored. The scores will be combined and then the applications will be ranked. Subsequently, the selection committee as a group will discuss the rankings before recommending recipients to you. You will make all final decisions.

Under B, all funds will be paid to the educational institutions as directed by the award recipients with a request that the educational institute return any funds to you in the event the recipient disenrolls. The scholarship awards will not be paid to the recipients.

To be eligible to renew the award, the recipient must resubmit the basic scholarship application with updated transcripts and provide evidence of acceptance and enrollment as a full-time student at a university, college or vocational/technical college. The selection committee will evaluate the renewal applications annually. Students placed on academic probation for more than one semester risk losing their eligibility for renewal. Renewal of scholarships is discretionary and is not guaranteed.

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.

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