

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Number: **202132011**
Release Date: 8/13/2021

Date: May 20, 2021

Department of the Treasury

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND:

- B= program name
- C= county name
- D= schools
- E = number
- F= number
- g dollars = amount
- h dollars = amount

UJL: 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 called B, the purpose of which is to encourage students to seek and achieve continuing post-secondary education at a university, college, vocational, or technical school.

You will provide application materials to C County high schools (D) and have the materials available on your website. Students are generally made aware of the

scholarships through their high school career counselors. Once students submit a written application, your selection committee will review them and may require an interview.

To be eligible, the applicant must:

- Be a member of the current year's graduating class from a C County high school, including home-schooled students.
- Not be a member of your Board or a close relative of a Board member.
- Meet the admission requirements of the accredited post-secondary education program they plan to attend.
- Plan to complete a program leading to a degree, a certificate or professionally recognized program in a field of study.
- Plan to enroll in a qualified program on a full-time basis.
- Demonstrate the following qualities: character, citizenship, academic ability, leadership and self reliance.

In some cases, you receive scholarship requests outside the normal high school graduation cycle. For these, applicants must provide a cover letter indicating their qualifications for scholarship, as well as evidence of (a) high school graduation or GED, (b) evidence of high school (and post-secondary, if applicable, scholastic performance, (c) letters of reference and (d) other information as specifically requested by you.

Award selections are based on a combination of criteria which may include, but are not limited to, academic achievement, clarity of personal goals and objectives, responses to essay questions, community service, work experience and financial need. You do not discriminate on the basis of race, creed, color, national origin, age, sex, marital status or the presence of a physical, sensory or mental handicap in making your selections. Disqualified persons (including your directors and officers and their family members) are not eligible to receive grant awards from you.

Your business manager will oversee the selection process and will serve as the selection committee Chair. of the members of your Board will participate in the evaluation and award process.

Award amounts will range from g to h dollars total per student. Awards may be one-time or renewable annually for up to four years if students maintain a minimum GPA and full-time enrollment status. You expect to award between E and F scholarships per year.

Before funds can be disbursed, recipients must complete and return an agreement stating they understand and agree to the terms of the scholarship. Payments will be made directly to the educational institution and can be used only for tuition and other institution-approved educational expenses. Payments will be accompanied by a letter instructing the institution as to how the funds are to be used and applied.

Any student postponing post-secondary school attendance due to personal circumstances or military service may defer the award up to four years if they properly notify you. Awards may also be held for adjustments to the financial aid package. If funds

are not used within four year, and you have not been notified, the scholarship will be forfeited.

To be eligible for a renewable scholarship award, the student must maintain a 3.0 GPA and full-time student status. They must submit an unofficial transcript and proof of full-time enrollment for the upcoming school year. If they don't meet this requirement, they must submit their explanation of extenuating circumstances in writing to you prior to or at the time of renewal request. Your Board reserves the right to make exceptions to this policy on a case-by-case basis.

You represent that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions 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 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.

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