

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201451059**

Release Date: 12/19/2014

Date: September 22, 2014

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

Y=

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(c)).

**Description of your request**

Your purpose is to provide scholarships for students at Y. The number of scholarship that will be awarded each year and the amount of each scholarship will vary depending on the amount of funds available to be distributed.

You will provide undergraduate scholarships for students at Y. All scholarships shall be based upon recipient's scholastic achievement, academic excellence and good moral character. Financial need shall not be a criterion. No scholarship shall be given to an

individual who has received scholarship assistance in excess of the tuition and fees charged by Y. The amount of the scholarship program is determined by the mutual agreement of the trustee and the scholarship committee of Y.

All scholarships will be for a period of four academic years, provided, however, that a scholarship shall be terminated if the recipient is not making satisfactory progress toward an undergraduate degree. A recipient's progress shall be deemed to be unsatisfactory if he or she has not maintained a minimum of a 2.8 grade point average on a 4.0 scale as a "full-time student." Your scholarship program will be publicized through the financial aid office of Y.

Nominations shall be solicited by the Scholarship Committee of Y. Y will make the final selection.

Payments will not be made directly to a scholarship recipient. Instead, your trustee pays the scholarship proceeds directly to Y for the benefit of the recipient. The trustee provides a letter to Y each university/college specifying that the Y's acceptance of the funds constitutes Y's agreement to:

- (i) refund any unused portion of the scholarship if a scholarship recipient fails to meet any term or condition of the scholarship; and
- (ii) notify the trustee if the scholarship recipient fails to meet any term or condition of the scholarship.

If Y will not agree to such terms the trustee will obtain the needed reports and grade transcripts from the scholarship recipient.

You will maintain case histories showing recipients of your scholarships, or educational grants, including names, addresses, purposes of awards, amount of each award, manner of selection, and the relationship (if any) to officers, trustees or donors of funds to you.

You will:

- receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded;
- investigate diversions of funds from their intended purposes;
- take all reasonable and appropriate steps to recover diverted funds;
- ensure other grants funds held by the grantee are used for their intended purposes, and
- withhold further payments to grantee until you obtain grantees assurances that future diversions will not occur and the grantees will take extraordinary precautions to prevent future diversions from occurring.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you under took the supervision and investigation of 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 may report any significant changes to your program by completing Form 8940 and sending it 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,

Director, Exempt Organizations