

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

Department of the Treasury

Number: **201747011**
Release Date: 11/24/2017

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: September 1, 2017

LEGEND:
X= geographic area
Y= state

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 provide scholarships to individuals to attend an educational institution of their choice to defray the costs of educational and related expenses. Students attending schools in X or Y or otherwise showing financial need will be eligible for the scholarship; your program will be publicized to students by local school administrators in the X and Y geographic regions.

The criteria that will be used to select a scholarship recipient will include:

- Prior academic performance,
- Recommendations from instructors of the applicant and any others who have knowledge of the applicant's capabilities,

- Financial need,
- Past or proposed course of study or evidence of his or her artistic, scientific, or other special talent,
- Past or future attendance at a particular school,
- Place of residence,
- Conclusions which the grant selection committee may draw as to the applicant's motivation, character, ability or potential.

The number of annual grants made will be determined by consideration of the budget for giving in that year and by the grant selection committee with final approval by your Trustee(s). The amount of each grant will be determined based on financial need, the particular qualifications of the individual, and the amount of resources available for you to distribute.

Scholarships will normally be awarded for a one-year period, but may be for a shorter or longer periods. You may consider renewing a scholarship on a case-by-case basis.

Each scholarship will be paid directly to the educational institution for the use by the scholarship recipient. Each educational institution must be described in IRC 170(b)(1)(A)(ii) and must agree in writing to use funds to defray the scholarship recipient's expenses or pay the funds (or a portion thereof) to the recipient only if the recipient is enrolled at the educational institution. Unless otherwise provided in the agreement establishing the scholarship, a condition of each scholarship is that it will be used only for qualified tuition and related expenses within the meaning of IRC 117(b)(2), and for room and board.

The scholarship can be used only for:

- tuition and fees, required for the enrollment or attendance of the student at a qualifying institution
- fees, books, supplies, and equipment required for courses of instruction at an educational institution
- room and board

An additional condition is that no part of the scholarship shall be used as payment for teaching, research, or other services by the scholarship recipient required as a condition for receiving the scholarship.

Periodic progress reports must be made to you, at least once a year, to determine whether recipients have performed the activities funds are intended to finance. When the reports are not made or there are other indications that funds are not being used as intended, you will investigate and take corrective action. In addition, you will keep records relating to all scholarships including information obtained to evaluate potential grantees and the identification of grantees, including any relationship of the grantee to you making a recipient a disqualified person.

If you learn that all or any part of a scholarship is not being used in furtherance of intended purposes, you will take all reasonable and appropriate steps to recover funds and/or ensure restoration of the diverted funds to the intended purposes. If such a diversion occurs and the recipient has not previously diverted funds to any use not in furtherance of the purposes of the scholarship, you will withhold any further payments until you have received assurance that future diversions shall not occur and shall require the recipient to take extraordinary precautions to prevent future diversions from occurring.

You shall retain the following records for all scholarships:

- all information obtained by you to evaluate the qualifications of potential grantees
- the identification of grantees (including relationships to you or your director's or officers)
- the purpose and amount of each grant
- any additional information you obtained in complying with award administration procedures

Information pertaining to unsuccessful applicants for awards shall be kept along with information on successful applicants.

The criteria you will use to appoint members of the selection committee will include, but not be limited to:

- knowledge or professional experience in academics, scholarship awards, and/or charitable giving
- extent of community ties
- other relevant personal or professional experience.

Committee members will be replaced upon the earlier of the member's resignation from the committee or termination by the remaining members of the selection committee and/or your Trustee(s). It is anticipated the selection committee will not exceed a total of five (5) members.

Selection committee members shall be obligated to disclose any personal knowledge of and relationship with any potential recipient under consideration and to refrain from participation in the award process in a circumstance where he or she would derive, directly or indirectly, a private benefit if any potential recipient(s) are selected over others. No award covered by this policy may be given to any disqualified person as defined in IRC Section 4946(a).

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