

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

Department of the Treasury

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Release Date: 3/15/2019

Employer Identification Number:

Contact person - ID number:

Date: December 20, 2018

Contact telephone number

LEGEND

UIL: 4945.04-04

B= Program
C= Individual
D= State
E= Organization

x 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 help a student, who has demonstrated the characteristics of customer service, ambition and drive, offset tuition expenses for his/her first year of post-secondary education. B is created in the honor of C. C touched a great number of lives in compelling ways through her own natural talents, ambition and drive, and with an uncommon commitment to help others. The ideal recipient like C will be someone who has overcome obstacles and attained goals through perseverance, hard work and a genuine belief in themselves, as well as in others.

The scholarship is only available to children, grandchildren, nieces, and nephews of agents and carriers in D with a working relationship with E. You will provide promotional materials and scholarship applications to these insurance agencies and carriers who will nominate candidates. All nominees are then required to complete the application, provide a copy of their high school transcript and complete a 500-word essay describing themselves, their aspirations and how they embody the values associated with C by a predetermined due date. In addition, the nominating individual is required to provide a written statement about their relationship to the nominee.

All applications will be reviewed by your Selection Committee which will include members of your board, and an individual with a background in higher education with no affiliation to you. Furthermore, the remaining members will be from E, who will have no interaction or knowledge of the individual insurance agencies. In addition, to insure an unbiased selection, the insurance agency affiliation is not designated anywhere on the application form, so the applications are blind to the committee.

After reviewing the applications for completeness and neatness, members of the Selection Committee will pare them down to the most qualified five individuals based on their academic performance as well as the quality of the written essay. Each committee member will then identify their top three choices. The applications are weighted based on a ranking system you have developed. The recipient with the highest numerical score is awarded the scholarship. You will base the size of the scholarship on your financial resources. You will also strive to be consistent with other charities who award similar scholarships to determine an appropriate size. Currently, you plan to award one nonrenewable scholarship award for x dollars.

When the winner is identified, they are required to provide a letter on company letterhead from the sponsoring agency, identifying the relationship, to receive the scholarship. You will request a copy of the student's first semester tuition bill as proof of enrollment.

You represent that 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 diversion from occurring.

You represent that you will maintain the following: (1) 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 purpose 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.
- The effective date of this ruling is October 27, 2016.

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