

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

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: February 13, 2019

LEGEND
X= City

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 Sections 4945(g)(1) and 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under the Section 4945(g)(1) 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 award scholarships to high school students with documented learning disabilities for the expenses related to enrollment and attendance at private high schools in the X metropolitan area.

The scholarship will fund expenses that are described in both Internal Revenue Code Sections 4945(g)(1) and 4945(g)(3). Expenses under Code Section 4945(g)(1) will include tuition, books and school fees to attend a qualified educational institution under Section 170(b)(1)(a)(ii). Expenses under Code Section 4945(g)(3) will generally cover travel expenses such as mass transportation expenses to attend the qualified educational institution.

To be eligible to receive a scholarship, the applicant must be:

- Diagnosed with a learning disability by a physician, learning specialist, counselor, or other expert;
- Currently enrolled or seeking enrollment in a private high school in the X area.

Furthermore, you will give preference to applicants demonstrating financial need who could not otherwise attend a private high school.

Applicants must submit a completed application. As part of the application, applicants must include relevant financial information, at least one personal reference, and a personal statement describing how receiving the scholarship will further their academic objectives.

The applications will be reviewed by your selection committee which consists of your directors. The committee will base their selection on the severity of the applicant's learning disability and the applicant's demonstrated efforts to achieve their academic potential, as illustrated through the applicant's personal statement and references. The committee will also consider financial need as the scholarship is intended to aid the recipients in gaining access to the resources and assistance available to students through private schools which the student may be otherwise unable to obtain.

You will offer at least one but no more than three scholarships each school year in an amount equal to the current tuition at the private high school that the recipient will attend in the following academic year, plus travel expenses associated with the recipient's attendance at the school, if necessary. Generally, scholarships will be awarded on a one-time basis. However, if adequate funds are available, you may renew a previously awarded scholarship in place of or in addition to your scholarships.

To ensure the scholarship funds are used for the purposes intended, each recipient will provide the name of the private high school they will be attending prior to the disbursement of funds. You may distribute the scholarship funds directly to the school. If funds are not distributed directly to the school, the scholarship recipient will provide a statement from the school verifying payment was received for tuition, fees and/or books. If the scholarship funds are used for travel expenses to or from the school, the recipient must provide evidence of the cost of such travel. Furthermore, the recipient will be required to submit two reports showing proper school attendance during the academic year. If after a proper investigation you determine the scholarship funds were not used for the intended purposes, you will seek repayment of such funds from the recipient.

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