

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

Department of the Treasury

Release Number: **201920012**
Release Date: 5/17/2019
Date: **February 22, 2019**

Employer Identification Number:

Contact person - ID number: Release

Contact telephone number:

LEGEND

X = Name
Y = Country
Z = Name

UIL: 4945.04-04

b 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 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 operate a scholarship program.

The purpose of your scholarship program is to provide highly capable students of X located in Y the opportunity to receive post-secondary school education and training in the United States and in some instances in Y. You expect to provide scholarships for one to two students each year from X which is sustained by Z, a United States organization exempt from federal income tax under IRC Section 501(c)(3).

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 consist of living and travel expenses as well as a small weekly allowance for miscellaneous items. Furthermore, the amount of the grants will vary depending on the tuition expense of the qualifying institution and the living situation of the particular student. In some instances, donors may make living arrangements available to the recipients within their homes for a period of time.

You will promote the program directly to X and Z. To be eligible to receive a scholarship, the applicant must:

- Be a student of X located in Y;
- Demonstrate the ability to read and write the English language;
- Meet criteria to obtain a United States Student Visa (for those students planning to study in the United States);
- Be preapproved and accepted by a community college, university or other accredited educational or training institution.

A seven-member selection committee consisting of your officers, donors and the director of X or the director of X's transitional program will evaluate the candidates. This will consist of:

- Interviewing the candidates to evaluate their understanding of the English language, as well as evaluate their ability to adapt into American culture;
- Consulting with the director of X for an evaluation of their character and attitude;
- Reviewing the results of each candidate's TOEFL examination;
- Reviewing the results of national examinations;
- Reviewing other scholarships available to students which may defray a portion of their educational expenses.

You will require a written grant agreement and will primarily provide the funds directly to the educational institution for those students who will study in the United States. For students who remain in Y, you will provide the funds to Z to manage the funds.

You will require a periodic accounting and receipts, checks, bills, sales slips or other documentation for items of expense in excess of b dollars. You will require transcripts and use other methods to ensure that grantees are maintaining the conditions of attendance, grades, grade point averages, enrollment and other documents. Any student who fails to meet or maintain your criteria and requirements is required to return to Y at your expense.

To renew the grant, the recipient must conform to all governmental requirements to maintain a student visa, meet at least the minimum academic standards of the institution

and obtain a passing grade in all classes, observe and comply with the law including the laws relating to use of illicit drugs.

You will review reports monthly but in no event less than quarterly. You will investigate any perceived diversion of funds. If funds are diverted, you will take steps to ensure it doesn't happen again or return the grantee to Y.

You will check the OFAC List of Specially Designated Nationals and Blocked Persons for names of individuals and entities with whom you are dealing to determine if they are included on the list. You will comply with all statutes, executive orders, and regulations that restrict or prohibit persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by OFAC. You will acquire from OFAC the appropriate license and registration where necessary.

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 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 Section 117(a) and is to be used for study at an educational organization described in Section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of Section 74(b), if the recipient of the prize or award is selected from the general public; or
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

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