

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

Department of the Treasury

Release Number: **201942012**
Release Date: 10/18/2019
Date: **July 24, 2019**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = Place
C = High School
D = High School
E = High School
f dollars = Amount
g dollars = Amount

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

Your letter indicates you will operate a scholarship program. The scholarships will make education more affordable for local students who are interested in, and display knowledge of, a historical site known as B.

You will provide one-time scholarships to graduates of a local high school, C, in the first year, and to graduates of two other local high schools, D and E, in the future. The scholarship amounts will range from f dollars to g dollars per student.

The applicant should have a good academic record, show a passion for learning and exploring, and submit a short essay about B. There are no requirements for the applicant to be considering a major in American history in college; however, he/she should be ready to explain how their interest in history could contribute to their career or life after college.

You require an essay as part of the application process. The essay may be a written paper or a video essay. The applicant must demonstrate a sense of observation about B and reflect on the social, economic, and/or historical influences that were in play at any time during the history of the site.

The one-time scholarship payment will be made directly to each recipient's college or university. You will publicize the scholarships through guidance and career counseling offices and history departments of the local high schools. Each year, prior to providing information about the scholarships to the guidance and career counselors, your board will review the prior year's expenses and determine the number of scholarships to be offered and the amount of each scholarship.

You will appoint the selection committee, which will consist of at least two committee members (one of whom must be a director). Relatives of the selection committee, officers, directors, and substantial contributors are not eligible to receive a scholarship.

You represent that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and 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 diversions from occurring.

You represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of the 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 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