

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

Department of the Treasury

Number: **201943028**
Release Date: 10/25/2019

Date: July 30, 2019

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

T = Scholarship
U = City, State
V = School
w 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 called T.

The purpose of T is to promote technical education for low-income high school graduates in the U area. Scholarships will be awarded for approved two-year technical degree

programs or certifications at U area community colleges. Approved programs include various career pathways. Scholarship amounts will be approximately w dollars per semester. Amounts awarded will cover the entire cost of tuition, books and equipment required for educational courses. You will publicize the scholarship program on your website and via distribution of applications to principals, counselors, teachers and administrators in the V District.

Eligibility requirements for the scholarship program include:

- Must be a citizen or legal permanent resident of the United States
- Must meet federal definition of low socio-economic status or eligible for free or reduced lunch
- Must have achieved minimum GPA (grade point average) requirements
- Must plan to enroll in a two-year technical program at local community college
- Must complete the FAFSA (Free Application for Federal Student Aid) application and submit SAR (Student Aid Report)

Scholarships will be awarded on an objective and nondiscriminatory basis. The selection criteria will include, but not be limited to, the applicant's prior academic performance, character, good citizenship, economic necessity and commitment toward completing the desired two-year technical degree program. The selection committee will be composed of your board of directors. They will determine the number of scholarships that will be funded annually. They may also request community volunteers to join the selection committee. Relatives of members of the selection committee or officers or directors or any disqualified person(s) in relation to you will not be eligible to apply under the program.

Scholarships will be renewed each semester for a maximum of two years, provided the student maintains a minimum GPA and is making satisfactory progress toward completion of the two-year program. Progress reports must be submitted each semester and the information will be verified with the educational institution. Upon completion of the degree or certification, a final report is required. If the terms of the scholarship are violated by the recipient, you will withhold further payments until it is determined that the scholarship recipient is once again complying with the terms. If the recipient does not comply, the scholarship will be forfeited, and reasonable steps taken to recover grant funds.

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, and (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 diversions from occurring.

You represent that you will maintain the following: (1) all records relating to individual grants including information to evaluate grantees, (2) identify 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.

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