

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

Department of the Treasury

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Release Date: 1/31/2020

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: November 4, 2019

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)).

This letter supersedes our letter dated July 3,

Description of your request

You will operate a program awarding grants to be used for study at educational institutions described in IRC Section 170(b)(1)(A)(ii).

The grants described above are to be provided on an objective and nondiscriminatory basis to individual students in order to facilitate their attendance at primary, secondary and graduate schools, including elementary school, junior high school, high school, college or university and graduate-level programs. Applicants will be required to demonstrate financial need and likelihood for academic success in accordance with the program herewith described, which is intended to be consistent with your purposes.

Your Board of Directors will promote the opportunity to receive such grants in the local community with goal of attracting a diverse applicant pool.

The Board will select one or more recipients based on the funds available and designated for such grants, as determined by the Board, as well the quality of potential recipients. Recipients will be evaluated on the basis of financial need, the content of a written submission and prior academic performance such as grade point average and standardized test scores. The Board may, in its discretion, conduct personal interviews to assist with the selection process. Neither your employees nor any disqualified persons (as that term is defined at Section 4946(a)(1) of the Code) are eligible for grants.

The terms and conditions of each grant to or for the benefit of an individual will be contained in a letter sent to each recipient of such a grant. The recipient, or his or her guardian, if the recipient is a minor, will be required to communicate his or her acceptance thereof. Terms and conditions include: specific purpose of the grant, its duration, the total amount of the grant, and requirements for narrative reports, detailing the recipient's academic progress, along with copies of recent grade transcripts, including due dates for such reports.

Any renewal of a grant for any succeeding period is contingent upon evidence of adequate performance at the time of review, such as maintenance of a minimum grade point average, or other comparable measure of academic success under alternative grading systems, during each semester of study. If a recipient fails to maintain the required level of academic achievement, no further funds will be made available for such recipient.

You will supervise the issuance of grants by implementing the following procedures:

(i) you will pay the scholarship directly to an educational institution described in IRC Section 170(b)(1)(a)(ii)

(ii) you will require the educational institution to agree to use funds to defray the recipient's tuition expenses only if the recipient is enrolled at such educational institution and his or her standing at such educational institution is consistent with the purposes and conditions of the grant, and the recipient meets the minimum level of academic achievement set forth hereinabove.

(iii) you will require the educational institution to furnish it you with proof of the grantee's matriculation and copy of grade transcripts for the past academic semester.

Notwithstanding the above, if you determine any part of the grant has been used for an improper purpose, you will immediately take all reasonable and appropriate steps to recover these funds or to insure the restoration of the diverted funds and the dedication of other funds to the grantee. You will withhold any further payment to or for the benefit of the grantee as soon as it becomes aware that a diversion may be taken place until you

have received assurances that future diversions will not occur and will require the grantee to take extraordinary precautions to prevent future diversions from occurring. You will retain records pertaining to all grants made in accordance with your scholarship program. The records include, but are not limited to, the following:

- (i) All information you secure to evaluate the qualification of potential grantees;
- (ii) Identification of grantees
- (iii) Specification of the amount and purpose of each grant;
- (iv) The follow-up information that you obtain in complying with the procedures described herein.

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.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

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