

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

Department of the Treasury

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Release Date: 4/3/2020

Date: January 9, 2020

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = Name

x = Number

y = Number

UIL

4945.04-04

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code (IRC) 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 IRC 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 IRC Section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program. The purpose of your program is to provide scholarships to individuals for study at a four-year college or university described in IRC Section 170(b)(1)(A)(ii).

Your scholarship is available to all high school seniors and community college transferees whose permanent residence is located within B County and who participate in a college access/readiness program you approve of. Applicants must have graduated from an accredited high school with a minimum grade point average (G.P.A.) of 3.0 on a 4.0 scale. Relatives of members of the selection committee, or of your officers, directors or substantial contributors are not eligible for scholarships under your program.

You will consider the following factors as a part of your selection procedures:

- academic achievement (G.P.A., class rank, test scores);
- personal character (disciplinary actions, criminal history, recommendations);
- hardships (responsibilities, commitments, adversity);
- financial need (family status, eligibility for government financial aid); and
- potential for future success (college major, ambitions and goals, strategies for transitioning to college).

When determining financial need, you will consider family factors such as dependents, marital status, and parentage.

You intend to award up to x scholarships per year, subject to change, but will initially award approximately y scholarships per year. The amount of the grant will be determined by your selection committee, which is composed of your staff members. Scholarships will be renewed if the recipient continues to attend a four-year college or university and maintains a 3.0 G.P.A.

You plan to widely disseminate information on your program to maximize the number of applicants. You may publicize your scholarship by creating an information page on your website, advertising on social media, submitting scholarship information to online databases, or directly distributing information to colleges and universities.

You represented that you will:

- arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded;
- investigate diversions of funds from their intended purposes; and
- 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 also represented that you will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (IRC 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 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 IRC Section 117(a).
- The grant is to be used for study at an educational organization described in IRC 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 IRC 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