



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45201

Number: **202133016**
Release Date: 8/20/2021

Date: **MAY 25, 2021**

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

LEGEND

B = Related Organization

C = State

D = Number of member institutions

E = Scholarship Program Name

F = Scholarship Program Name

G = Name of Scholarship

H = Name of School

J = Name of Scholarship

K = Name of School

L = Name of Scholarship

M = Name of School

N = Name of Scholarship

O = Name of School

P = Name of the School

Q = Name of Scholarship

R = Name of University

S = Name of University

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1). You requested approval of your scholarship program to fund the education of certain qualifying students.

This approval is required because IRC Section 4945 provides for the imposition of taxes on each taxable expenditure of a private foundation. IRC Section 4945(d)(3) provides that the term "taxable expenditure" includes any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or similar purposes by the individual, unless the grant satisfies the advance approval requirement of IRC Section 4945(g).

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

Additionally, 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 provided in IRC Section 117(b)).

Description of your request

Your letter indicates you are the charitable foundation of B, a related exempt organization. B's purpose is to provide members with education, information, and advocacy in the

Your purpose is to serve and support D banks, their employees, and communities.

You will operate two scholarship programs, E and F at various universities. You do not intend to provide educational loans at this time.

The following scholarships are under E:

- G at the H
- J at the K
- L at the M
- N at the O
- J at the H
- N at the P
- Q at the H

Recipients eligible under E are employees of member institutions who also meet the schools' admissions requirements.

You provide an application that sets the selection criteria of employment history, community involvement, and stated career goals and ambitions. Applications are submitted to you for selection of the recipient. Your selection committee will review and make the recipient selection. The recipient selection will be submitted to B, who will grant final approval of the recipients chosen by your selection committee. After the recipient is selected you contact the school to confirm the awardee has been accepted and is in good standing. The grant awards are then distributed by you directly to the university. The university applies the scholarship funds only for enrolled students in good standing that meet the applicable program requirements.

G at H is available to incoming freshmen. The amount and the number of scholarships awarded is determined annually by the educational institution. Currently there is one scholarship annually that covers one half of the recipient's tuition for all years of the program.

J at K is available to incoming freshmen. The amount and the number of scholarships awarded is determined annually by the educational institution.

L at M is available to incoming freshmen. The amount and the number of scholarships awarded is determined annually by the educational institution. It is currently one scholarship covering a portion of the recipient's tuition for the first year of the program.

N at O is available to a first or second year student in the program. The number of scholarships and their amounts are determined annually by your board of directors. Currently one scholarship is granted annually to cover a portion of the recipient's tuition.

J at H is available to incoming freshmen. The amount and the number of scholarships awarded is determined annually by the educational institution. Currently there are two scholarships that cover one-third of the student's tuition for all years of the program.

N at P is available to incoming freshman. The amount and the number of scholarships is determined annually by your board of directors. Currently there is one scholarship is granted annually to cover a portion of the recipient's tuition.

The Q at the H is available to incoming freshmen. The amount and the number of scholarships awarded is determined annually by the educational institution. It currently covers a one third of the recipient's tuition.

You provide an application that sets the selection criteria of grade point average (GPA), major, completion of a internship, statement of career goals, and letters of recommendation. All applicants must also meet the admissions of the applicable university. Scholarships are available to undergraduate students in the program of the applicable university.

Applications are submitted to you. Your selection committee will review and make the final recipient selection. The number of scholarships awarded is determined annually by your board of directors. Currently one scholarship is granted to cover a portion of the recipient's tuition

All of your scholarship programs will be publicized on B's website, in your quarterly newsletter, a weekly publication, and through the websites of the participating educational institutions. You provided sample solicitation materials with your application that you will use in publicizing your programs.

Your selection committee will select the recipients for each of your scholarship programs. Selection committee members are also a member of your board of directors. Board members volunteer for the selection committee at your annual board of directors meeting. Relatives of selection committee members, your officers and directors, or your substantial contributors are not eligible for awards under your programs.

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.

In addition, you will maintain case histories showing the recipients of your scholarships, fellowships, educational loans, or other educational grants, including names, addresses, purposes of awards, amount of each grant, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you.

Finally, 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 described above.

You represent that you will complete the following:

- Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,
- Investigate diversion of funds from their intended purposes,
- Take all reasonable and appropriate steps to recover the diverted funds and 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 diversion from occurring.

You also represent that you will:

- Maintain all records relating to individual grants including information obtained to evaluate grantees,
- Identify 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 described above.

Basis for our determination

IRC Section 4945 imposes excise taxes on the taxable expenditures of private foundations. 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 IRC 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).

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, you can contact the person shown at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements