

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

**Department of the Treasury**

Number: **201448030**  
Release Date: 11/28/2014

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

Date: September 3, 2014

**LEGEND:**

B= city

C = foundation

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**

You will provide funds for two types of scholarships for residents of B County. You operate with the C in administering the awards. C publicizes the scholarships, maintains information and documentation on awards, and makes recommendations per their selection committee on potential recipients. C pays the scholarship proceeds to the university/college the recipient attends. C also makes contact with the college or university of choice ensuring acceptance of the scholarship payment requires notification of any abuse and/or refunding unused portions if a recipient fails to meet award conditions.

The first type of scholarship will be for graduating high school seniors that attending an accredited college or university in B County. Applicants must have a GPA between 2.25

to 3.50, have a demonstrated financial need, have a demonstrated active involvement in serving their community, and be US citizens or permanent residents.

The second will be for students already attending a college or university in B County to continue their education. These recipients must have a GPA between 2.75 to 3.75, demonstrate financial need, demonstrate involvement in their community such as through extra-curricular activities, community or church service or work experience, and be US citizens or permanent residents.

C will maintain case histories showing recipients of the scholarship, including names, addresses, purpose of the scholarships, the amount of each scholarship, and manner of selection. Amounts for each award are determined based on the need of that particular applicant and contingent on available funds.

C will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded; to investigate diversions of funds from their intended purposes; and take all reasonable and appropriate steps to recover diverted funds, ensure other grants funds held by the grantee are used for their intended purposes, and withhold further payments to grantee until you obtain grantees assurances that future diversions will not occur and the grantees will take extraordinary precautions to prevent future diversions from occurring.

C will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you under took the supervision and investigation of 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,

Director, Exempt Organizations