

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

**Department of the Treasury**

**Number: 201430016**  
**Release Date: 7/25/2014**

**Employer Identification Number:**

**Contact person - ID number**

**Contact telephone number:**

**Date: May 1, 2014**

**LEGEND**

**UIL: 4945.04-04**

V= Name  
X= Name  
Y= Name  
Z= Name  
c= Quantity  
d dollars = Amount

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 will not 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 to achieve your purpose by enhancing access to higher education.

You will award c scholarships of the same amount in the range of d dollars as follows:

- The V scholarship will be awarded to one student majoring in electrical engineering at Y and to one student majoring in electrical engineering or related subjects at Z.
- The X scholarship will be award to one student majoring in art, music or theater arts at Y and to one student majoring in arts and sciences at Z.

The total amount of the scholarships is dependent on the amount you are required to annually distribute as you are required to annually distribute the greater of your net income or the amount needed to satisfy Code Section 4942. To publicize your program, the trustee bank notifies the appropriate colleges at Y and Z of the amount available for distribution who in turn notify the students attending those colleges. Applicants are required to complete a detailed application as well as provide information to you on their financial situation, including their sources of income and financial needs, academic transcripts in order to show their ability to succeed in their field of study, and letters of recommendation to provide reference as to their moral character; they must also provide an essay on the free enterprise system.

Your scholarship committee, consisting of employees of the trustee bank, reviews the applications. The applications are then ranked by selection committee members from 1 to 5 on the basis of financial need, grade-point-average, character references and the essay; the students receiving the highest marks are selected for the scholarships. All scholarships are awarded on an objective and non-discriminatory basis. No scholarship may be awarded to any disqualified person as defined in Code Section 4946.

You will distribute the scholarship proceeds directly to the university or college for the benefit of the recipient and will provide a letter to each university or college specifying that the acceptance of the funds to document the school agreeing to (i) refund any unused portion of the scholarship if a scholarship recipient fails to meet any term or condition of the scholarship; and (ii) notify you if the scholarship recipient fails to meet any term or condition of the scholarship. If the school will not agree to the terms of the letter, the school is to return the check to you and individual expenditure responsibility would be done by sending an individual grant letter to the recipient and having the recipient sign the grant letter. You would then receive the needed transcripts and reports from the recipient. No proceeds will be released unless a signed grant letter is received by you.

Case histories of grant recipients will be maintained including their 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.

You will also (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) 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.

### **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