

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

**Department of the Treasury**

Number: **201446023**  
Release Date: 11/14/2014

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date:** August 21, 2014

**LEGEND:**

W = state  
X= city  
Y= company  
Z= bank

**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 scholarship funds to deserving men and women residing in the city of X in W, and its adjoining communities, for financial assistance in attending college. The number of scholarships and the amount of scholarships to be awarded will vary depending on the amount of funds available to be distributed.

You will publicize the program to area high schools and each of the qualifying post-secondary schools in X via promotional flyers mailed to the schools and through Y website, the scholarship vendor.

To be eligible to apply the student must be a long-time resident of X, and have resided in an eligible community for at least a year. The student must also plan to enroll in a full-time undergraduate course of study at one of the 20 institutions located in X. The award will be based on character and integrity, academic performance, and financial need.

Y will maintain case histories showing recipients of your scholarship, including names, addresses, purpose of the scholarships, the amount of each scholarship, and manner of selection. Y pays the scholarship proceeds to the university/college the recipient attends. Y provides a letter to each university/college specifying that the university/college acceptance of funds constitutes the university/college's agreement to (i) refund any unused portion of the scholarship if the recipient fails to meet any term or condition of the scholarship; and (ii) notify Y if the scholarship recipient fails to meet any term or condition.

The scholarship committee shall consist of the senior trust officer of Z, X office; a qualified attorney from X; and the two presidents from two colleges or universities located in or about X, or their designees.

Each year the trustee advises your scholarship committee of the amount of funds available to be awarded. The members of the committee review the scholarship applications. The recipient selection procedure considers the following in the order listed; 1) character and integrity, 2) financial ability (or inability) to pay educational cost, and 3) scholastic ability. Financial need will be considered in determining the size of the scholarship. The committee designates the students who shall receive the funds and the amounts. All scholarships are awarded on an objective and non-discriminatory basis.

You 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.

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 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