

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

Number: **202026004**

Release Date: 6/26/2020

**Date: April 2, 2020**

**Department of the Treasury**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

W = Number  
x 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 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 provided in Code Section 117(b)).

**Description of your request**

You are operating a grant program. The purpose of the program is to provide scholarships to be used for study at an educational institution described in IRC Section 170(b)(1)(A)(ii) in the United States to cover the payment of tuition, books and supplies, and room and board.

You will promote the program by word-of-mouth from board members, individuals interested in your mission and by other scholarship recipients as well as on your website.

At this time, you anticipate awarding in the range of W scholarships each year in the range of x dollars. Moreover, the amount of each scholarship will be limited to the amount of funds you have available for scholarships and the financial need of the recipient.

To be considered for a scholarship, the student must provide your completed application form with the following:

- A certified college and/or certified high school transcript depending on the circumstances;
- Their tax returns and/or financial statements and if needed, those of their parents;
- At least one letter of recommendation.

Recipients will be selected by a selection committee consisting of your board members on an objective and nondiscriminatory basis. Information the selection committee will use to evaluate and select recipients includes financial need, prior academic performance, performance on scholastic aptitude tests, desire and motivation, character, area of proposed study, recommendations from instructors, and history of/or desire to memorize scripture. Personal interviews may also be conducted.

Once notified, each recipient must sign an acceptance letter to agree to comply with the terms of the grant and the reporting requirements. When possible, grant funds will be paid directly to their educational institution. For each academic period, each recipient is required to submit a periodic report which must contain their progress as to courses taken and grades received. In addition, the report must be verified by the educational institution. You will also require a final report, verified by the educational institution upon completion of each recipient's study.

All periodic reports from recipients will be reviewed by a designated officer within one month of their submission. If such reports or any other information indicates that the funds were not used in furtherance of educational purposes, you will investigate and to the extent such investigation reveals evidence of improper use of the funds, you will take steps to recover any such diverted funds. Additional funds will not be granted to a recipient during a period in which an investigation is in process. Additionally, if an improper use of funds is discovered, the recipient will no longer be eligible to receive grant funds.

You will keep complete records relating to all scholarships including information obtained to evaluate the qualifications of the recipients, identification of those selected and the amount and purpose of each grant. All reports from the recipients and any other follow-up data obtained in administering the grant program will be retained by you.

The scholarships will not be automatically renewed. Rather, a student who would like to receive another scholarship will have to reapply.

### **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.

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