

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

**Department of the Treasury**

Number: **201444041**  
Release Date: 10/31/2014

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date: August 4, 2014**

**LEGEND**

B =  
X =

**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 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**

You are a bank administrated trust established in memory persons who graduated from B. Your purpose is to enhance access to higher education by awarding annual scholarships for graduating seniors at B.

More than 300 B students graduate each year. The number of scholarships that you award will vary depending on the amount of funds available to be distributed. Based on

the market value of your funds, you expect to award less than five scholarships annually. The amount of each scholarship is generally \$x or less. Each year, you will advise your scholarship committee of the amount of funds available. Then the committee will publicize the availability of scholarships at the school.

Your trustee has no discretion regarding the selection of scholarship recipients. The scholarship committee consists of the manager of the nearest trustee bank branch, the president of the school board and an area citizen selected by the other two members.

The committee reviews the academic achievement and financial need of each applicant. After the selections have been made, the trustee is provided the names of the students selected and the amount awarded.

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.

The trustee pays the funds directly to the university or college the student will attend. The university or college is also advised that acceptance of the funds signifies its agreement to:

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,
3. Take all reasonable and appropriate steps to recover diverted funds,
4. Ensure other grant funds held by a grantee are used for their intended purposes, and
5. 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 the event that the school will not accepting the listed responsibilities, the trustee will obtain the reports and grade transcripts.

You will maintain all records relating to individual grants, including information obtained to:

1. Evaluate grantees,
2. Identify whether a grantee is a disqualified person,
3. Establish the amount and purpose of each grant, and
4. Establish that you undertook the supervision and investigation of grants as described above.

### **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

- 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,

Tamera Ripperda  
Director, Exempt Organizations