

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

**Department of the Treasury**

Number: **202114025**  
Release Date: 4/9/2021

**Date:** January 12, 2021

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

W = Organization  
X = Scholarship  
Y = State  
z 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 provide in Code Section 117(b)).

**Description of your request**

Your letter indicates you will operate a scholarship program called X. Your purpose is to promote American ideals and values including leadership, scholarship, and citizenship. The scholarship program is funded by W.

The purpose of X is to provide undergraduate scholarships to students entering their third and fourth year of college or in the case of a 5-year degree, the fourth and fifth years.

Numerous awards are made annually but vary in quantity. There is no set number of awards granted each year. Scholarships are z dollars. The Board of Directors affirms the level and number of scholarships awarded each year. Funding is provided for two years, if eligible. The student must submit a scholarship renewal application to receive the second year of funding and provide their transcript for the prior year.

X is publicized through your website, social media page, word-of-mouth, as well as through colleges throughout the state of Y. Eligibility criteria includes the following:

- Attend an accredited college or university in Y state
- Full-time student entering third and fourth year of college
- Maintain a 3.0 GPA
- Resident of the state of Y
- U.S. citizen

Your website makes the online registration form available to anyone with internet access. Every student that meets the general criteria is eligible to register. Successful registration triggers an introductory email to a director to schedule a personal interview.

Your Vice President serves as the Chairman of the Education Committee and appoints the members to the committee for one-year terms. Members are chosen from the group of board members, alternate directors, associate directors and affiliated members. All committee members are highly competent members of W.

Selection is based on noteworthy improvements, contributions or successes in the areas of leadership, citizenship, school activity, service to the community, and scholarship. Letters of recommendation represent a significant percentage of an applicant's score. Also, attributes such as honesty, cooperation, integrity, acceptance of responsibility, positive attitude, initiative, compassion, and entrepreneurship are considered.

You require documentation of educational progress. Grade transcripts documenting full time status and GPA are required.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by the 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.

You represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of the grants 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  
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