

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

Department of the Treasury

Number: **201516076**
Release Date: 4/17/2015

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: 1/20/15

LEGEND

UIL: 4945.04-04

X =
Y =
B =
K =
C =
n =
p =
q =

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 that you will operate two scholarship programs. They are X program and the Y Program

Your purpose is to offer scholarships to B Seniors, a public high school in C. The scholarships are for a maximum of n dollars per semester, p dollars per academic year for up to four years, q dollars in total. The scholarship monies are paid directly to the educational institutions.

To be eligible for the X program, students must have at least a 3.0 grade point average and need economic aid in order to attend college. In addition, the applicants must:

- be a B Senior in good academic standing,
- attend a state funded K School (only available for four year state funded K Schools), and
- not be related to any officer, director, substantial contributor, trustee or current or future scholarship committee member.

The candidates must submit a resume and then be interviewed by the scholarship committee. In order to maintain the scholarship under the X Program, the recipient must:

- maintain a 2.5 grade point average (GPA),
- be a full time student, and
- submit a transcript to the education liaison at the end of each semester showing the maintenance of the required 2.5 GPA and full time status.

The Y program is designed for any high school graduate with local ties that are attending any local community or four year college. The amount of scholarship depends on the candidate's education program and financial need.

To qualify for the Y Program, applicants must:

- be a high school graduate with local ties to the area,
- be attending an area community or four year college, and
- not be related to any officer, director, substantial contributor, trustee or current or future scholarship committee member.

The candidates must submit a request and then be interviewed by the scholarship committee. In order to maintain the scholarship under the Y Program, the recipient must:

- maintain a 2.5 grade point average,
- submit a transcript to the education liaison at the end of each semester showing the maintenance of the required 2.5 GPA, and
- be making progress towards a goal of completion of a program.

Your scholarship committee is made up of your trustees. The scholarship committee works with the college counselors and principals at B to identify candidates.

You will investigate any possible misuse of funds by the recipient, withhold further funds during the investigation if a misuse of funds is discovered, and seek recovery of misused funds.

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