

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

Department of the Treasury

Date: September 30, 2016

Employer Identification Number:

Number: **201652025**
Release Date: 12/23/2016

Contact person - ID number:

Contact telephone number:

UIL: 4945.04-04

LEGEND

M= Youth program
N= Youth program
O= Youth program
Z= Location
x= 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.

The purpose is to provide scholarship grants to students graduating from high school or a high-school equivalent program who need assistance to obtain a higher education.

The purpose of the grants would be to encourage the grantee to participate in community-orientated youth programs and to provide financial assistance to those who attend institutions of higher learning primarily located in Z and assist students who would otherwise find it very difficult to obtain a higher education or overcome a financial obstacle in order to achieve their goals.

The availability of grants will be publicized through public high schools primarily located in Z and certain Section 501(c)(3) or quasi-governmental youth programs selected by your board of directors. Current youth programs are M, N, and O. Persons eligible for educational grants would be students referred by a youth program based on the candidate's financial need and who participated in a youth program selected by your board of directors.

Candidates are presented by their program officers. A school teacher or administrator from the candidate's school may supplement the program officer's choice with a written or verbal recommendation. Each candidate must be a high school senior or equivalent.

An essay is required that will include a general biography, educational goals, community involvement, and how the candidate would use any awards.

Grant recipients would be determined by the board of directors based on recommendations made by an advisory selection committee comprised of members of your board of directors. Members of the committee would be chosen based on their willingness to serve, availability to review essays, and availability to interview candidates.

The board of directors will select grant recipients based on their financial need and educational goals. The number of grants recipients per year would depend on the number of grant applicants and available resources. You estimate between two and four grants each year. The amount of each grant is expected to be x dollars.

The decision of the selection committee is final and shall be recorded, including pertinent comments and reasoning of each committee member as appropriate and the amount awarded.

Grants will not be automatically renewed; rather grant recipients would be required to apply for a new grant in subsequent years. Priority would be given to new applicants.

At the conclusion of one year following the provision of any grant, the grant recipient would be required to submit a written report describing how the grant helped the recipient in achieving his or her educational goal. If the board of directors determines that an educational grant was used for improper purposes, you will take all reasonable and appropriate steps to recover the grant funds and would not provide additional grant funds to the grantee until you receive the grantee's assurance that future diversions would not occur.

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,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements