



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
1100 Commerce St.  
Dallas, TX 75242

TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

Number: **200916034**  
Release Date: 4/17/2009

LEGEND

ORG = Organization name      XX = Date      Address = address

Date:      December 18, 2008

UIL: 501.03-01

ORG  
ADDRESS

Taxpayer Identification Number:  
Person to Contact/ID Number:  
Contact Numbers:  
Telephone:  
Fax:

Dear :

We have considered your request, dated November 13, 20XX, for approval of your grant-making procedures pursuant to Section 4945(g) of the Internal Revenue Code (Code).

Your request indicates that these individual grant making procedures have been in effect since you started making individual grants. You require a written request for funds and a brief resume of academic qualifications (transcript of grades).

The terms and conditions under which you ordinarily make such grants to individuals are that the grants constitute scholarships paid directly to the colleges or universities that the students will attend. The scholarships are for tuition and fees only. The scholarships will not be used for room and board.

Section 4945(g) of the Code states that an individual grant will not constitute taxable expenditures if awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance.

Section 4945(g)(1) of the Code states that the grant constitutes a scholarship grant which would be subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii).

Section 117(a) of the Code describes a scholarship grant that is used for tuition and fees required for the enrollment or attendance of a student at an educational organization described in section 170(b)(1)(A)(ii) as well as used for fees, books, supplies, and equipment

required for courses of instruction at such an educational organization.

Section 170(b)(1)(A)(ii) of the Code describes an educational organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.

The procedures for exercising supervision over the grants meet the requirements of Reg. 53.4945-4(c)(5) which are:

- (i) the scholarship or fellowship grants are described in IRC 4945(g)(1);
- (ii) the grantor foundation pays the scholarship or fellowship grants to an educational Institution described in IRC 151(e)(4)
- (iii) the educational institution agrees to use the grant funds to defray the recipient's expenses.

The procedures for review of grantee reports, for investigation where diversion of grant funds is indicated, and for recovery of diverted grant funds meet the requirements of Reg. 53.4945-4(c)(5) which are stated above.

Based on the information submitted and assuming your scholarship program will be conducted as proposed with objectivity and nondiscrimination in awarding grants, we determined that your procedures in awarding scholarship grants comply with the requirements of section 4945(g)(1). This means that scholarships granted according to these procedures will not be "taxable expenditures" within the meaning of section 4945(d)(3).

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to the foundation's creators, officer's, or members of the selection committee, or for a purpose that is inconsistent with the purposes described in section 170(c)(2)(B). The approval of your grant-making procedures is a one-time approval of your system of standards and procedures that will result in grants that meet the requirements of section 4945(g)(1). Thus, approval will apply to succeeding grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

We have not considered whether grants made under your procedures are excludable from the gross income of recipients under section 117(a) of the Code. Any funds you distribute to individuals must be made on a true charitable basis to further the purposes for which you are organized. Therefore you should maintain adequate records and case histories so that all grant distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Internal Revenue Code provides that it may not be used or cited by others as a precedent.

Sincerely,

Vicki L. Hansen  
Acting Director, EO Examinations