



Department of the Treasury Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45201

Date: 01/29/2024

Taxpayer ID number:

Person to contact:

Release Number: 202417027

Release Date: 4/26/2024

LEGEND

X = School

y dollars = Amount

Dear :

UIL: 4945.04-04

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1) and advance approval of your educational grant procedures under IRC Section 4945(g)(3).

This approval is required because IRC Section 4945 provides for the imposition of taxes on each taxable expenditure of a private foundation. IRC Section 4945(d)(3) provides that the term "taxable expenditure" includes any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or similar purposes by the individual, unless the grant satisfies the advance approval requirement of IRC Section 4945(g).

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 IRC Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

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 IRC Section 117(b)).

We also approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of IRC Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates you will operate a scholarship program. The purpose of the scholarships is to aid recipients in obtaining training and education in a skilled trade field.

You will provide grants to support graduating high school seniors at X to pursue the study of a skilled trade, outside of a traditional 4-year college or university, including:

- A community college trade/vocational program
- A trade or vocational school

- A technical training program
- An apprenticeship

You provide one grant, per academic year, for each applicant selected by the board of directors. The scholarship amount will up to y dollars per year for each recipient, depending upon the individual's eligible expenses, which include tuition/fees for the program of study and documented costs for required tools and materials. You will award three scholarships per year but may expand the program to additional students in the future.

The scholarship program is publicized through the X local scholarship program. X distributes information to graduating seniors regarding available local scholarships.

Eligible recipients are graduating X seniors seeking training and/or certification in a skilled trade at a community college, trade/vocational school, technical training program, or an apprenticeship.

An application must be received through the X local scholarship process and include your scholarship application form, one letter of recommendation, and an essay describing the applicant's post high school plans, why he/she has chosen to pursue a trade, and how the grant will assist the applicant in achieving his/her goals. Eligible applicants will be ranked based on the quality of their essays, recommendations, and extracurricular accomplishments. Preference will be given to those students pursuing a program or certification in electrical, plumbing, HVAC, welding, refrigeration, auto, carpentry, or construction trades. Financial need will also be considered if demonstrated by the applicant.

Grants are awarded one time and are not eligible for renewal. Applicants are eligible only in the year of their high school graduation.

You supervise the scholarships by requiring proof of enrollment and copies of receipts for tuition/program fees and required tools and materials prior to making the grant payment to either the student or directly to the program manager. Your executive director will track expenses paid on a per student basis to ensure that no student receives more than the maximum award amount. During the term of study, recipients will be required to give periodic reports to you regarding their and proof of continued enrollment or study.

In the unlikely event that you become aware that granted funds have been diverted from their intended purpose, you will investigate the diversion with the recipient and will withhold payment of future expense requests to the affected recipient until there is assurance that any future funds will not be diverted.

Grant recipients will be selected by your board of directors.

You represent that you will complete the following:

- Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,
- Investigate diversion of funds from their intended purposes,
- Take all reasonable and appropriate steps to recover the diverted funds and ensure other grant funds held by a 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 diversion from occurring.

You also represent that you will:

- Maintain all records relating to individual grants including information obtained to evaluate grantees,
- Identify a grantee is a disqualified person,
- Establish the amount and purpose of each grant, and
- Establish that you undertook the supervision and investigation of grants described above.

Basis for our determination

IRC Section 4945 imposes excise taxes on the taxable expenditures of private foundations. 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 the following requirements of IRC Section 4945(g) is not a taxable expenditure.

IRC Section 4945(g)(1) Requirements:

- 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 IRC Section 117(a).
- The grant is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).

IRC Section 4945(g)(3) Requirements:

- 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).
 - A prize or award subject to the provisions of IRC Section 74(b), if the recipient of the prize or award is selected from the general public.
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulation Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

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 IRS at:

Internal Revenue Service
Exempt Organizations Determinations
TE/GE Stop 31A Team 105
P.O. Box 12192
Covington, KY 41012-0192

- You can't 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 IRC 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'll make this determination letter available for public inspection after deleting personally identifiable information, as required by IRC Section 6110. We've enclosed Letter 437, Notice of Intention to Disclose - Rulings, and a copy of the letter that shows our proposed deletions.

- If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us.
- If you agree with our deletions, you don't need to take any further action.

Please keep a copy of this letter in your records.

If you have questions, you can contact the person shown at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Letter 437