



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

Date: 02/17/2022

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202219017

Release Date: 5/13/2022

UIL: 4945.04-04

LEGEND

w dollars = Amount

x dollars = Amount

z dollars = Amount

Y=Range

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1). You requested approval of your scholarship program to fund the education of certain qualifying students.

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

Additionally, 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 provided in IRC Section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program. The purpose of your program is to offer high school seniors, not interested or able to attend a traditional college program, the opportunity to secure an education and eventual employment in a trade. The scholarships may be for two- or four-year programs. You will publicize your program at local high schools and on your website. You will have meetings with high school counselors and brochures will be available.

To be eligible, students must be graduating high school seniors interested in beginning a career in a trade, rather than in a traditional college environment, and from a low-income household. You define low-income as single

earner family income less than w dollars and dual earner family income less than x dollars a year. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for the scholarships.

Students must complete an application including an essay of intent stating their desired trade interest, recommendations from teachers or other staff members, and a statement of financial need. Financial need will be demonstrated through the SAR page from the FAFSA form, the latest year of tax returns, or previous years' financial statement.

You will award in the range of Y scholarships annually. This number will be determined by your Board, budget, and number of qualified applicants. Individual scholarship amounts will not exceed z dollars. The amount will be determined by research into the trade school programs and maximum tuition required to fulfill the course. You will pay funds directly to the student's school. Funds will then be applied to the enrolled students who are in good standing.

To maintain their scholarship, students must attend all required classes, uphold passing grades in all required courses (a 2.0 grade point average or Pass), and receive a certificate of completion. Students will be required to submit attendance records and end of semester grades. You may contact or interview technical school staff as a mid-term check-in. Students will be provided with a warning should either their grades or attendance fall below requirements. Warnings will be provided in the form of a letter to the student and the school immediately following notification that grades or attendance have fallen below the requirement. Warnings will be escalated to a violation should a semester of grades or attendance be below the requirement. If the student violates the requirements of the scholarship, pro-rata funding of the remaining scholarship dollars will not be awarded to the student.

Current selection committee members were selected based on their involvement with the community educational system and overall interest and awareness of the scholarship program. An interview process to select a new member will be conducted should a member no longer desire to serve. Current committee members facilitate the process and new members will be determined by unanimous decision. Should there be no unanimous decision, your acting Director will provide the deciding vote.

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.

- 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).

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 Agreement

Enclosures:
Letter 437