



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

Date: 04/11/2022

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202227013

Release Date: 7/8/2022

UIL: 4945.04-04

LEGEND

X = Organization

y dollars = Amount

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 operate a grant program to award scholarships to high school students pursuing a higher education in the trade of carpentry, plumbing, electrical, or HVAC. Annually, you award to scholarships to local high school students. The awards are in the range of y dollars. You are funded from X and the owners of X serve as your officers.

You publicize the scholarship program at local high schools and vocational schools with their guidance departments. Dependents of former or current employees of X are eligible to apply for scholarships. Each applicant must submit a completed application by the due date to the high school guidance department. The application must be accompanied by proof of high school graduation and verification of enrollment in a college or technical school.

Your officers identify individuals to serve on the independent scholarship selection committee. The independent selection committee consists of a local investment advisor, guidance counselors from local high schools, and local business owners. The selection committee members or their relatives are not eligible to apply for scholarships.

The selection committee selects the most qualified students based on their grades, essays, and teacher recommendations. The selection committee determines the amount of each scholarship.

You retain the college or technical school enrollment verification information along with each student's career path. Case histories include recipient names, addresses, purpose of the awards, and any relationship to X's current or former employees are maintained.

The scholarships are paid directly to the recipients' colleges or technical schools and transcripts are required for each student. Scholarship recipients can re-apply for the scholarships if their transcripts demonstrate a C average or better. If a recipient decides to change the career path, the grant will not be renewed. The selection committee reviews reports received from recipients and their institutions prior to issuing any additional funds.

If there is any indication that funds were misused, the grant will be terminated immediately and the selection committee will pursue collection of any misused funds. The committee will also send a letter to the recipient demanding a return of the funds. You will refer the matter to a collection attorney if necessary.

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.
- The effective date of our approval is March 23, 2021, which is the date your request was submitted.
- 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.

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, 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

cc: