



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

Date:
01/14/2025
Taxpayer ID number:

Person to contact:

Release Number: 202515018
Release Date: 4/11/2025

LEGEND

B = Name
M = Number
N = Number
P = Number
s dollars = Amount
t dollars = Amount
v dollars = Amount
x dollars = Amount
y dollars = Amount
z dollars = Amount

UIL: 4945.04-04

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 scholarship program called B. The purpose of B is to provide financial

support to low to moderate income students from Title I high schools in order for them to pursue careers in construction management, civil engineering, or related fields at accredited institutions of higher learning and vocational training schools recognized under IRC Sections 509(a)(1) and 170(b)(1)(A)(ii). You will publicize B using a variety of school district approved means.

Under B, you will annually award M renewable scholarships for s dollars each. There is also no numerical limitation on the number of individuals eligible to apply for a grant, although there is a finite amount of award money each year. You estimate the maximum annual grant money for first time awards and renewals to be approximately as follows:

- First year: t dollars in total scholarship awards; (M scholarships of s dollars)
- Second Year: v dollars in total scholarship awards; (M scholarships of s dollars, plus M renewed scholarships)
- Third Year: x dollars in total scholarship awards; (M scholarships of s dollars, plus N renewed scholarships)
- Fourth Year: y dollars in total scholarship awards; (M scholarships of s dollars, plus P renewed scholarships)

To be eligible for B, an applicant must:

- a) Be a graduating or graduated high school senior or a student enrolled at a qualified educational institution of higher learning interested in a career in transportation or heavy civil design, engineering, or heavy civil construction;
- b) Be actively engaged in coursework and other activities that are relevant to the construction industry or actively pursuing construction trades, construction management, civil engineering, or construction related fields;
- c) Demonstrate financial need required for low-to-moderate income students.

To apply for B, eligible applicants must submit a complete application. In addition, applicants must:

- a) Submit an essay describing their career goals and how the scholarship will help them achieve their goals;
- b) Provide an acceptance letter into a trade school or a higher degree program in construction management, civil engineering, or a related field;
- c) Provide two letters of recommendation.

Further, applicants must demonstrate financial need. Specifically, you will ask applicants to self-report annual household income and to provide their student financial aid account to corroborate their income levels. Those households with an annual median gross income of over z dollars per year is above your threshold for a determination of financial need.

To select recipients for B, your Board of Directors will appoint a completely independent selection committee who are not your employees, officers, or directors. Members will serve as volunteers and be appointed based on their experience in the relevant industries and their commitment to workforce diversity. Relatives of members of the selection/nominating committees, your officers, directors, or disqualified persons are not eligible for awards made under B.

The selection committee will review the submissions and rate applicants based on the quality of their essay, educational and extracurricular activities demonstrating a commitment to the relevant occupational fields, and financial need. Financial need is ranked according to a point system. Specifically, lower income applicants will be allotted more points.

Scholarship recipients must confirm their acceptance of the scholarship in writing and agree to abide by the award reporting requirements. Recipients must provide evidence of matriculation to an educational institution or

vocational training school. At the end of each semester session, recipients must submit to the selection committee current transcripts showing satisfactory completion of required coursework or training programs promptly upon receipt of such reports. The selection committee will either pay the educational institution directly on behalf of the or will pay the student directly and request that the recipient submit evidence that such payment was applied towards educational costs, including tuition, coursework, and training materials for vocational training programs. Recipients who violate the terms of an award by misusing award funds or failing to follow reporting requirements are ineligible to seek a renewal of a scholarship award for the subsequent year.

To renew scholarships under B, recipients must submit a completed application as if it were an original award. The recipients must provide evidence of satisfactory progress by submitting current transcripts showing continued enrollment and completion of required coursework and training at the relevant educational institution and must provide evidence that they are in good standing at such institution and have not changed their academic objectives from those specified in the initial application.

Under B, you will maintain case histories, including recipients' names, their addresses, purpose of awards, amount of each award, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you.

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.

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