



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

Date: **January 25, 2022**

Number: **202216023**
Release Date: *4/22/2022*

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

LEGEND:

B = number 1

C = number 2

D = number 3

E = number 4

F= state

y dollars = amount 1

z dollars = amount 2

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

You will assist individuals to attend classes or to pursue their studies at educational institutions as described in

Letter 4792 (Rev. 4-2021)

Catalog Number 58263T

IRC Section 170(b)(1)(A)(ii). In doing so, you will provide support to students who will not attend college by assisting them in attending a vocational training program or trade school. You will award scholarships based on financial need, and the desire and potential to succeed in such programs and schools. You anticipate making between B and C awards per semester, which would translate to D to E awards annually. You anticipate making awards of approximately y dollars to z dollars per student per semester.

You will notify the counseling departments at one or more local high schools, as well as counseling organizations working with high school students, that interested and qualified students may apply for aid. Applicants will be expected to document their financial need, their interest in pursuing vocational training, and may be asked to provide academic transcripts. Recipients will be selected by your Board of Directors. The Board may appoint an advisory committee of educators to assist in evaluating and selecting scholarship recipients.

There will be no limitations or restrictions in the selection procedures based upon race, religion, national or ethnic origin, or other illegally discriminatory criteria. You may impose other restrictions from time to time, such as geographic limitations (e.g., limited to students from disadvantaged rural and urban areas) or subject related limitations (e.g., limited to students with an interest in a particular vocational career). Individuals who are employed by you or an organization controlled by a director of yours or are related by blood or marriage to such individuals, will not be eligible for grants.

The applicant pool will consist of students who have already been accepted by their vocational training program or vocational school of choice and have been identified by the program or school counselor as needing financial support. You will rely heavily on the determination by the vocational training program or vocational school for the applicant's level of financial need. In addition, each applicant must pass a screening interview with your Executive Director. Questions during the interview will include reasoning behind the applicant's choice of study, long-term career plans after they finish their training, a background check, and an explanation for any past behaviors that may show up on a background check and might impede their chances for success. Each applicant must agree to meet regularly with your Executive Director during their study, and after they graduate from their vocational training program or vocational school. You do not have limitations on geographic locations but are currently only working with schools in F.

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).

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

cc: