



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

Date: 4/20/2022

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Number: 202228023
Release Date: 7/15/2022

UIL: 4945.04-04

LEGEND

B = Organization 1

C = Organization 2

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 provide individuals with scholarships to pay for tuition at a post-secondary educational institution.

You will advertise the availability of scholarships by postings at the B office and the hall of each of the affiliated local unions associated with the B.

To be eligible for an award, applicants must be enrolled at a post-secondary educational institution, including a college, university, or technical school for the upcoming academic school year. Applicants must establish their enrollment status by presenting a 12-credit class list for the upcoming academic semester with their application. Applicants must also be a child or dependent of a parent or guardian that is a C member in good standing with a local union affiliated with the B.

The criteria you will use to select recipients will consist of grade point average; academic honors; award, or

membership activities while in high school; list of extracurricular activities; volunteer activities; and consideration of an essay submission.

The number and amount of each scholarship shall be determined annually based on donations you receive. You will divide the amount available for scholarships evenly. If a contractor signatory to a collective bargaining agreement with the B or an affiliated local union makes a donation as a remedy for a grievance filed by a local union, that donation will be allocated to applicants whose parent or guardian is a member of the specific local union.

Applicants will be required to provide proof of enrollment in a post-secondary education institution in the form of a 12-credit class list from that educational institution. Applicants will also be required to provide the name of their parent or guardian that is a member of the C.

The scholarship is a one-time grant with no renewal.

You will pay scholarships directly to the educational institution that the applicant states they are enrolled in under an arrangement that the school will apply the scholarship funds only for the enrolled student. The applicant will also be required to sign an agreement where you will be entitled to recover the amount of the scholarship if it is determined that the applicant was not enrolled in the school listed in their application.

The selection committee is composed of individuals that are your President, Vice President, Treasury, Secretary and four officers. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for the scholarship awards.

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

- 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