



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities

Date:
09/12/2024
Taxpayer ID number:

Person to contact:

Release Number: 202449020
Release Date: 12/6/2024

LEGEND
C =Name
D =Numbers
y dollar =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 a scholarship program. The purpose of the program is to provide scholarship grants to help individuals obtain post-high school education at a qualified educational institution.

You plan to award in the range of D scholarships for y dollars. You will publicize the program on your website and through word of mouth where scholarships may be awarded.

Eligibility will be limited to individuals who:

- Live in geographic areas where C conducts business which has numerous locations in multiple states, where

your donors reside, have resided, or otherwise have a personal connection;

- Have not previously received a scholarship award;
- Are under the age of twenty-four (24) and will be attending a university, technical school, vocational school, or community college to earn specialized skills training, a certificate or diploma, or an academic degree for a specific field or career goal; and
- Are unrelated to your officers, directors, and/or substantial contributors.

Further, you will not require that an applicant demonstrate any financial need to be eligible for a scholarship; however, applicants may voluntarily provide information demonstrating their financial need, which would then be considered. It will not necessarily impact an applicant's eligibility to qualify if the applicant does not provide information demonstrating a financial need.

To apply for a scholarship, applicants generally must complete a scholarship application providing information relevant in determining their merit including the following:

1. Their extracurricular activities and work history (if any);
2. Their cumulative GPA;
3. Other information the applicant deems relevant, such as their academic or athletic awards, recognition accolades, internships, financial need, etc.;
4. An essay responding to one of the following questions/prompts:
 - What do you plan to study and why?
 - Describe one person who has had the greatest influence on your life and how.
 - What does the opportunity of continuing education mean to you?
 - Describe a challenging or difficult circumstance you have had to overcome.

Recipients will be selected on an objective and nondiscriminatory basis by a selection committee consisting of your board of directors. Members of the selection committee or their relatives are not eligible to apply for scholarships.

To select recipients, the selection committee will consider the applicant's:

- Extracurricular activities while in high school
- GPA
- Planned field of study
- Prior work experience, and financial need
- The applicant's motivation, character, ability, potential to succeed, and any challenging circumstances an applicant has overcome or is overcoming.

Further, the selection committee will favor qualified, eligible persons with a demonstrated interest in pursuing or advancing a career in manufacturing, construction, landscape, engineering, business administration, business management, and/or skilled trades.

If an applicant demonstrates that they have financial need, the committee may (but need not) request that the applicant provide supplemental information to verify their financial need, in the discretion of the committee. Factors that the committee may (but need not) consider when determining whether an applicant has demonstrated a financial need include, but are not limited to:

1. Their assets and/or income;
2. Their parent's or parents' assets and/or income;
3. Their non-education financial obligations (e.g., if they have a child or children or if they are working to help

financially support their relatives);

4. The cost of attendance (including tuition, books, and room and board) at the educational institution the applicant will be attending; and

5. Whether they have received, are receiving, or will receive other financial support for their education.

No single factor will be given more weight than other factors; rather, each applicant's responses will be considered collectively. Especially strong responses for one factor might help to "offset" weaker responses to another. For example:

1. An applicant with a "low" GPA, minimal participation in extracurricular activities, but who has a good work history and who submits a strong essay describing, for example, that they have consistently performed well in classes related to their desired post-high school education/career and who has been working one or more jobs to financially support themselves or family might receive an award.

2. An applicant with excellent academic credentials and a high level of participation in extracurricular activities but who submits an especially weak essay might not receive an award.

3. An applicant with very average academic credentials and no participation in extracurricular activities but who submits a very moving essay about a challenging circumstance the applicant has overcome might receive an award.

Awards will generally be paid only at the beginning of the second semester of the school year and only after you have received a receipt showing that the recipient's second semester tuition has been paid. If the recipient requests, in advance, you will pay their award directly to the recipient's educational institution.

You will follow the progress of each individual scholarship to make a determination as to whether the scholarship program's purposes are being or have been fulfilled, and to look into any questions requiring further scrutiny or investigation. Scholarship recipients will be required to provide you with a transcript of academic performance or some other evidence of academic or objective progress, verified by the educational institution, as soon as a transcript or other evidence of academic or objective progress is available at the end of each period for which a scholarship is received. You will take all reasonable and appropriate steps either to recover the funds or to ensure the restoration of the diverted funds.

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,

Steven Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
LETTER 437