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

Date:
05/02/2025
Taxpayer ID number:

Person to contact:

Release Number: 202530023
Release Date: 7/25/2025

LEGEND
B = Trust Agreement
C = Trustee
G = External Service Vendor
N = School
y dollars = Scholarship 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 you were established by B with C as the trustee. You provide educational scholarships to qualifying students enrolled in a vocational or trade school in one of three (3) states. C has ultimate discretion with respect to the educational scholarships. G is currently acting as C's external service vendor for scholarship administration. C may at any time remove or replace an external service vendor for the purpose of administering the educational scholarship. G manages the publication, application receipt and payment as well as an advisory committee. The advisory committee is appointed by C and is comprised of three to seven members who have term limits and acts by majority rules. The advisory committee's role is to review

the applications received by G, determine each applicant's qualifications, and advise C about the applications. C has the final discretion with respect to the distribution of the educational scholarships.

The number of educational scholarships awarded will vary from year to year depending on funds available and the qualifying number of applicants. Each educational scholarship is an annual award up to y dollars per recipient. Payment is made directly to the school for tuition, fees, and books.

Educational scholarship recipients must have graduated from a public high school located in five (5) specifically-named counties and must be attending a vocational or trade school in one of three (3) states as either a full-time or part-time student. Priority will be given to graduates of N. C has the final authority to determine whether an applicant's attendance at a particular vocational or trade school qualifies for the educational scholarship. Recipients must also demonstrate good character and academic ability and readiness as well as financial need. The educational scholarship is available to a recipient for no more than four years and each applicant must apply annually.

Renewal of the educational scholarship is not guaranteed. G manages the application process and each applicant must submit an application by the posted application deadline. The application includes a personal statement, list of academic honors, leadership skills, community service, a W-8 or W-9 form and page 1 of the applicant's completed FAFSA Submission summary. C has the discretion to terminate any educational scholarship in the event of the recipient's serious malfeasance, breach of the applicant's school's code of conduct, failure to provide requested materials or conduct involving moral turpitude.

G manages the application receipt and payment process. G provides the advisory committee and C with applicant information for the purpose of selecting qualified recipients and distributing the educational scholarship in C's discretion. Any unused educational scholarship payment is returned by the school to you for re-distribution.

You will arrange to receive and review grantee reports annually. Upon completion of the purpose for which the educational scholarship was awarded, you will investigate diversions of funds from their intended purposes, and take all reasonable appropriate steps to recover diverted funds. Additionally, you will ensure other educational scholarships held by a grantee are used for their intended purposes. You will also 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 diversions from occurring. You represent that you will maintain all records relating to individual grants, including information obtained to evaluate grantees. You will identify whether a grantee is disqualifed person, establish the amount and purpose of each educational scholarship and establish that you undertook the supervision and investigation of educational scholarships.

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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 scholarship 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 15, 2024, 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 scholarships 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 scholarship 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