

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Number: **201809012**  
Release Date: 3/2/2018

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date: December 6, 2017**

**LEGEND**

w dollars= Amount  
x dollars = Amount  
z dollars = Amount  
Y = Range of numbers

UIL: 4945.04-04

Dear \_\_\_\_\_ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code Section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**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 Code Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, 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 Code Section 117(b)).

**Description of your request**

Your letter indicates you will operate a scholarship program. The purpose of your program is to offer high school seniors, not interested or able to attend a traditional college program, the opportunity to secure an education and eventual employment in a trade. You will publicize your program at local high schools and on your website. You will have meetings with high school counselors and brochures will be available.

To be eligible, students must be graduating high school seniors interested in beginning a career in a trade, rather than in a traditional college environment, and from a low-income

household. You define low-income as single earner family income less than w dollars and dual earner family income less than x dollars a year.

Students must complete an application including an essay of intent stating their desired trade interest, recommendations from teachers or other staff members, and a statement of financial need. Financial need will be demonstrated through the SAR page from the FAFSA form, the first two pages of the parents'/guardians' tax return, or a financial statement.

You will award in the range of Y scholarships annually. This number will be determined by your Board, budget, and number of qualified applicants. Individual scholarship amounts will not exceed z dollars. The amount will be determined by research into the trade school programs and maximum tuition required to fulfill the course. You will pay funds directly to the student's school. Funds will then be applied to the enrolled students who are in good standing.

To maintain their scholarship, students must attend all required classes, uphold passing grades in all required courses (a 2.0 grade point average or Pass), and receive a certificate of completion. Students will be required to submit attendance records and end of semester grades. You may contact or interview Technical School staff as a mid-term check-in. Students will be provided with a warning should either their grades or attendance fall below requirements. Warnings will be provided in the form of a letter to the student and the school immediately following notification that grades or attendance have fallen below the requirement. Warnings will be escalated to a violation should a semester of grades or attendance be below the requirement. If the student violates the requirements of the scholarship, pro-rata funding of the remaining scholarship dollars will not be awarded to the student.

Current selection committee members were selected based on their involvement with the community educational system and overall interest and awareness of the scholarship program. An interview process to select a new member will be conducted should a member no longer desire to serve. Current committee members facilitate the process and new members will be determined by unanimous decision. Should there be no unanimous decision, your acting Director will provide the deciding vote.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) 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 represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify whether a grantee

is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

**Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code Section 4945). 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 of the following requirements of Code 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 Code Section 117(a).
- The grant is to be used for study at an educational organization described in Code 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 Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot 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 Code 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.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements