



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

Date: 12/05/2022

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202309019

Release Number: 3/3/2023

## LEGEND

X = Local Fire Department

Y = Individual

b dollars = \$

c dollars = \$

d = number

f = number

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. You will be issuing merit-based scholarships to eligible members and immediate family of X, a local fire department. Members must qualify for a state tax incentive in order to be considered "active" and they must have been on the department for a minimum of d years. Immediate family members include spouse and children of members.

Applicants must be a high school graduate pursuing post-high school education by attending a certification

program (i.e., EMT, Paramedic, etc.), technical college, four year college, etc. They must have a cumulative grade point average of 2.5 or greater before any subsequent awards are granted.

Selection will be based on the completion of an application, a two-page essay explaining why the applicant should be awarded the scholarship, their goals and how their educational pursuit will assist them in obtaining their goals.

Subsequent requests from applicants must include a written request for an additional award and a description of how the previous award helped them with their educational goals.

Selection of scholarship recipients will be based on characteristics of Y that are exhibited by applicants. Y was a long-time member of the department.

No member or immediate family member of the board of directors or of the scholarship selection committee will be eligible for the scholarship program.

You expect to award up to f scholarships per year with awards ranging from b dollars up to c dollars.

Funds will be distributed directly to the educational institution the recipient is attending. Applicants are required to submit documentation showing their GPA and a letter explaining how the award has been used to help them accomplish their goals.

#### **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.
- 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.

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