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Youth Council Scholarship Program Policy

7/27/2024 — Adopted by Democracy Maine

This program exists in tandem with our [paid internship](#) & [fellows](#) programs. Students who join our internship program can choose to have their stipends issued as a one-payment scholarship.

“A scholarship generally includes any amount paid to a student in pursuing his or her studies. It would include tuition, matriculation and related fees, and any family allowances provided. Fellowships and internships include similar payments to individuals who may or may not necessarily be "students" to aid in the pursuit of the recipient's studies. Prizes and awards are generally grants made to individuals in recognition for some past accomplishment.” ([N. IRC 4945](#))

Funds from this scholarship must be used to support a student's educational expenses. A student must be enrolled in an educational organization to qualify for this scholarship. See below definition.

“Educational organization. An educational organization is described in section 170(b)(1)(A)(ii) if its primary function is the presentation of formal instruction and it normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on. The term includes institutions such as primary, secondary, preparatory, or high schools, and colleges and universities. It includes Federal, State, and other public-supported schools which otherwise come within the definition.” ([§ 1.170A-9 Definition of section 170\(b\)\(1\)\(A\) organization](#))

What are the qualified related expenses?

“For purposes of paragraph (1), the term “qualified tuition and related expenses” means—

(A)tuition and fees required for the enrollment or attendance of a student at an educational organization described in section 170(b)(1)(A)(ii), and
(B)fees, books, supplies, and equipment required for courses of instruction at such an educational organization.” ([26 U.S. Code § 117 - Qualified scholarships](#))

According to the IRS who isn't not allowed to receive scholarship funds? View the definition of these persons [here \(IRC Section 4946 - Definition of Disqualified Person\)](#)

1. Substantial Contributors
2. Foundation Managers
3. Owner of more than 20 percent interest of certain organizations that are substantial contributors
4. Family Members of persons described above (in 1-3)
5. Corporations in which persons described above (in 1-4) hold more than a 35 percent voting power
6. Partnerships in which persons described above (in 1-4) hold more than a 35 percent profit interest
7. Trusts or Estates in which persons described above (in 1-4) hold more than a 35 percent beneficial interest
8. Certain Private Foundations which are effectively controlled by the person or persons in control of the foundation in question
9. Governmental Officials

Requirements for scholarships

Therefore, the following are requirements for scholarships:

- The scholarship must be awarded on an objective and nondiscriminatory basis.
- No grants may be awarded to an officer, manager or trustee of the organization, nor to a member of the selection committee, nor to a substantial contributor, nor to certain US government officials.
- Family members of these individuals are also not eligible to receive grants.
- The group of applicants from which the recipients are selected must be sufficiently broad as to be considered a charitable class

Internal fiscal note: Scholarships are tax-exempt. ([Laws and Regulations Affecting Scholarship Programs](#)) students who choose this option will not be issued 1099s or enrolled in payroll as contractors.

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