



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

Date:
07/17/2025
Taxpayer ID number:

Person to contact:

Release Number: 202548029

Release Date: 11/28/2025

LEGEND

B = High Schools
C = Religious
D = Organization
E = Organization
F = Organization
G = Number Range
h dollars = 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 for qualifying graduating or former graduates that attend or attended B.

The purpose of your program is to aid students with their expenses for courses at an educational institution that qualifies as a tax-exempt organization under IRC Sections 509(a)(1) and 170(b)(1)(A)(ii).

To be eligible for scholarship, the applicant must:

- Be of C faith
- Be graduating or former graduating student from B
- Be planning to attend full-time at an accredited college, university, technical, trade, or professional school located in the United States

You will rate the applicants based on the following criteria:

- Financial need (financial assistance is not weighted as significantly as C activities)
- Personal Statement/Essay
- Academics
- Leadership skills
- Community service
- Extracurricular activities

Your scholarship program will be publicized by D. D is currently acting as your Trustee's external service vendor for scholarship administration. Your marketing will include fliers, scholarship information sheets, public announcements, and postings with a list of available scholarships. Program information and marketing materials will be mailed to B. Your schools' contacts will receive an annual letter, with notification of important program dates, an FAQ document which contains all the relevant program information, as well as program marketing materials. All marketing materials will be reviewed and approved by your Trustee's scholarship administrator prior to sending.

Your selection committee consists of the principals of B, the E, and the president of the F. The scholarship committee's role is to review the applications received by D and determine each applicant's qualification for the scholarship and advise your Trustee about the applications. Your Trustee has final discretion with respect to the distribution of the scholarships. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors, will not be eligible for awards.

You intend to award more than h dollars for G scholarships per school year. The number of scholarships will vary from year to year depending on your financial situation and the number of qualifying applicants. Each scholarship is an annual award, which may be renewed for up to three additional years. Payment is made directly to the educational institution for tuition, fees, and books.

Scholarship recipients will receive information from D each year on the procedure to verify continued eligibility for the scholarship. Recipients must submit a renewal application, transcript or grade report, and W-8 or W-9 form, to be considered for renewal of their scholarships each year.

If you discover a misuse of funds a scholarship may be terminated at any time within the discretion of your Trustee, whose decision shall be final and binding. If a scholarship is awarded for an academic year and is not used within that year, it is forfeited, and unused money is returned to you. Failure to meet the eligibility requirements will result in forfeiture of the scholarships.

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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Letter 437, Letter 4792-Redacted