



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

Date:
07/24/2025
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202549025
Release Date: 12/05/2025

LEGEND

B = School Type
C = Foundation
D = Fund
k = 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 for high school and college students who are pursuing an undergraduate education at B college. The name of the scholarship program is D.

To be eligible for the D scholarship, the student must be a high school or college student, pursue and undergraduate education in the fields of social work, elementary education, and counseling, and must attend a B college or university.

You will rate applicants based on the following:

- Prior academic performance.
- Pursuit of a degree in social work, elementary education, and counseling.
- Performance on tests designed to measure ability and aptitude for educational work.
- Recommendations from instructors.
- Recommendations from pastors of the church applicants are currently attending.
- Additional biographical information regarding an applicant's career, academic and other relevant experiences and financial need.

Your program will be publicized through your website and through a third-party scholarship software provider.

You will appoint three members to the selection committee, with at least one member of the selection committee being one of the trustees of C, and be selected from a list of nominees brought to your attention by the executive director of C, and approved by a majority vote of the trustees of C. The committee will be charged with evaluation of candidates for scholarships covered by your policy. Relatives of members of the selection committee, your officers, directors, or substantial contributors are not eligible for the D award.

You intend to award k scholarship per school year. The amount of the award will be determined based on a percentage of the value of the assets in the scholarship fund.

You will have follow-up procedures for the D. Your third-party scholarship software will be used to follow up on award programs, with reporting required by the recipients and the educational institution. You will pay the scholarship directly to the educational institution for the use of the scholarship recipient. The educational institution must agree in writing to use the scholarship funds to defray the scholarship recipient's expenses only if the recipient is enrolled at such educational institution and his or her standing at such educational institution is consistent with the purposes and conditions of the grant. Your condition of each scholarship is that it will be used only for qualified educational expenses. If such a grant is not being used for its intended purpose, you will withhold further payments to the extent possible until any delinquent reports required under these procedures have been submitted. You have reasonable and appropriate steps in place to recover the scholarship funds and/or ensure restoration of the diverted funds.

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.

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