



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

Date:
09/26/2025
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202551044
Release Date: 12/19/2025

LEGEND

N = Topic
P = Number
Q = Topic
R = Topic
s dollars = Dollars
t dollars = Dollars
v dollars = Dollars

UIL: 4945.04.04

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1) and advance approval of your educational grant procedures under IRC Section 4945(g)(3).

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.

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 provide in IRC Section 117(b)).

We also approved your procedures for awarding educational grant. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grant meet the requirements of IRC Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates you will operate a scholarship program within the meaning of IRC Section 4945(g)(1) and an educational grant program within the meaning of Section 4945(g)(3).

Scholarship Program under IRC Section 4945(g)(1)

You will provide scholarships to students who are enrolled or plan to enroll in a field of study related to N at an accredited institution of post-secondary higher education in the United States to help finance tuition and other educational costs. Your scholarships can only be used for qualified tuition, related expenses within the meaning of IRC Section 117(b)(2), and room and board. You expect that up to P students will apply for this program annually. The number of recipients and amounts of the awards will be determined based on your budget. You expect your scholarships to range from s dollars to t dollars. Your scholarships are not renewable.

Eligible students must demonstrate strong academic achievement, and demonstrate an interest in improving the art and science of N.

Your selection criteria include:

1. School enrollment,
2. Academic performance, including GPA, and class standing, and
3. An interest in improving the art and science of N, including personal recommendations.
4. Financial need may be considered if there are more qualified applicants than you can support.

You will generally pay the scholarships to the schools directly. The schools will then disburse the funds to the award recipients who are in good standing. However, in some situations you may disburse scholarship funds directly to the recipients. When this occurs, you will require the grantee to provide documentation that the funds were expended for the scholarship's purposes.

Study and Research Grant Program under IRC Section 4945(g)(3)

You will provide grants to individuals employed in the Q industry and/or students who are actively engaged in the study of R and who plan to enter the field of R upon graduation. The grants are intended to cover registration costs, travel and incidentals when the individual attends meetings and conferences that expand their knowledge of R. You expect that up to P students will apply for this program annually. The number of recipients and amounts of the awards will be determined based on your budget. You expect your grants to range from v dollars to s dollars. Your grants are not renewable.

Eligible recipients must demonstrate an interest in improving the art and science of N, submit their credentials, provide a description of the meeting or conference, and provide a description of the potential professional benefit to the applicant in attending the meeting or conference..

Your Selection criteria include:

1. The credentials of the recipient, including if they are currently employed in the field of N, have subject area knowledge, or other achievement,
2. Potential impact of the meeting or conference on the applicant.
3. Financial need may be considered if there are more qualified applicants than you can support.

For your study and research grants, you will provide reimbursement directly to selected recipients once the individual completes the educational event (meeting, conference, etc.) and provides proper receipts and proof of attendance.

Both Programs

You will promote both grant programs on your website and through other means, such as other publicly available websites, email notifications sent to schools and field-specific mailing lists, social media posts, redistribution of these emails and posts by other organizations, and other communications to students, school staff, and conference organizers. However, the application for the programs has not yet been developed.

Your Board, assisted by a Scholarship Committee, will make the final selection of all award recipients. The Scholarship Committee will review applications and make recommendations to the Board. The Scholarship Committee will be chaired by a member of your Board, but other members of the Scholarship Committee are not required to be on your Board. Members of the Scholarship Committee are appointed by your Board and selected based on their expertise and experience related to determining an applicant's eligibility based on the aforementioned criteria. Relatives of members of the Scholarship Committee or your Board, officers or other disqualified persons, are not eligible to receive awards.

All disbursements will be documented with a written agreement that will restrict the expenditure of the funds for specific purposes and will require reporting on the use and expenditure of the 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.

IRC Section 4945(g)(1) Requirements:

- 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).

IRC Section 4945(g)(3) Requirements:

- 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).
 - A prize or award subject to the provisions of IRC Section 74(b), if the recipient of the prize or award is selected from the general public.

- To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulation Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

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

cc: