



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

Date:
08/14/2025
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202552034
Release Date: 12/26/2025

LEGEND

B = Number
C = Name
D = City
E = Name
F = Name
G = Number
H = Number

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 grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants 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 that provides three types of grants for undergraduate education, and in limited circumstances, graduate education. The purpose of the grants is to help students with financial need seek higher education. Your board votes to approve a total budget for scholarships each year.

Letter 4792 (Rev. 1-2022)
Catalog Number 58263T

Your board delegates the responsibility for managing the program to your staff. You provide information concerning the scholarships to high school guidance counselors, public libraries, social service organizations, youth groups, media outlets in the service area, as well as on your website and social media. You do not award educational loans.

IRC Section 4945(g)(1) Grants

Eligible students must be enrolled in or entering a two-year or four-year college or university. You also award a small number of graduate school scholarship to prior recipients pursuing a graduate degree in education, social work, human services, or a related field. Applicants must be a full-time residents of one of the B towns served by C prior to its acquisition by D. Residency is determined by the address listed on the student's E or equivalent. An applicant is required to be either a United State citizen, a non-United States citizen who is able to apply for federal student aid, or a person that has been granted F status. First time applicants may not have previously earned a bachelor's degree.

Scholars are selected primarily based on financial need and the potential impact of a scholarship award. Consideration is also given to academic record, community involvement, and other indications of a strong desire to achieve goals through education. At the discretion of your board a minimum grade point average or other minimum academic standards may be required to apply.

Most scholarship funds are distributed in G installments per year. Scholarship recipients may reapply annually. As a general rule, absent special circumstances, awards are limited to a maximum of H semesters of scholarship support for undergraduate studies. Renewal applications are reviewed by your staff on a rolling basis as they are submitted. The student's continuing financial need, academic performance, and other elements of the renewal application may be considered by your staff when determining renewal awards.

Each scholarship recipient must submit information to you verifying their continued enrollment at the educational institution in order to receive each installment. Failure to provide this information will prompt an inquiry by you and, pending receipt of such information, payments of any unpaid installment will be held. In the event you discover that scholarship funds are not being used for their intended exempt purpose, you will take appropriate action to recover any diverted funds. You may terminate a scholarship for a cause if a recipient is found to have violated their educational institution's code of conduct or if they are convicted of a crime. Recipients are required to complete a scholarship agreement each year to acknowledge they understand the terms of their scholarship award. Scholarship award payments are disbursed to the educational institution on behalf of the students.

Your board delegates the responsibility for reviewing and evaluating scholarship applications and selecting recipients to the scholarship committee. The composition and role of the committee are set forth in your bylaws and committee charter. To ensure that an objective decision can be reached on each application, the committee uses a blind review process. Your staff processes the applications and removes any identifying information prior to forwarding them to the committee. Committee members are instructed to report any instance where they are able to identify the applicant based on the information provided. In such cases, that reviewer abstains from review, discussion, and voting on that applicant. Applications are reviewed primarily based on financial need. Applications that do not meet financial needs test may not be forwarded to the committee. Committee members and their dependents are not eligible to apply for a scholarship.

Some of your applicants may qualify for a scholarship, but find they are unable to apply this scholarship under IRC Section 4945(g)(1). You have two processes through which selected recipients can still utilize awarded funds to further their education but, because the recipients are either not attending a Section 170(b)(1)(A)(ii) educational

organization, or the grant is used to pay/reimburse past educational expenses, these grants are described in IRC Section 4945(g)(3).

Recipients Attending a Technical or Vocational Training Program That is Not Accredited or Title IV Eligible

You allow scholarship awards to be used for non-Title IV eligible vocational training programs at accredited Title IV-eligible educational institutions. This option will be available for applicants who meet all other scholarship criteria, would have been approved for a scholarship award, but would not qualify under IRC Section 4945(g)(1) because they are not attending a two-year or four-year college or university described in Section 170(b)(1)(A)(ii). These grants would be described in Section 4945(g)(3).

Recipients Unable to Use an Allocated Portion of Their Scholarship Award for Costs of Attendance

You allow scholarship awards to be applied toward student loan repayment in specific circumstances. This option will be available on a case-by-case basis only for current scholars, students who have already been approved for a scholarship award. Under this option, if a scholar is unable to use an allocated portion of their IRC Section 4945(g)(1) scholarship award for costs of attendance they would be permitted to seek your approval to apply the award portion toward student loan repayment under IRC Section 4945(g)(3).

The primary circumstance in which such a grant would be considered is where a college or university will not permit a student to use scholarship funds to pay certain costs of attendance in which case a student will have no choice but to pay the costs out of pocket or via student loan proceeds. In the latter case, the scholarship funds would go toward repayment of that loan to cover the student contribution up to the amount of the student's original scholarship award. While the scholarship would be approved before or during the student's enrollment, to the extent that an allocated portion of a scholarship award is approved for student loan repayment, that portion would be disbursed after the student completes their course of study.

Grants issued for student loan repayment may only be used for qualified tuition and related expenses within the meaning of Section 117 of the code. A student seeking approval to apply monies to student loan repayment will be required to provide you with: (1) proof of loan amounts incurred and disbursed. For example, through loan statements, correspondence from loan provider, or other documentation, (2) tuition statements showing amounts paid via student loans. You will review the documentation provided by the student, request additional documentation as needed, and only issue grants for student loan repayment where it has first been demonstrated that the loan amounts in question have been incurred to cover qualified tuition and related expenses.

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