



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

Date:  
10/08/2025  
Taxpayer ID number:

Person to contact:

Release Number: 202601018

Release Date: 1/2/2026

**LEGEND**

B = city, state

N = number range

x 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 which will award funds to individuals ranging from grade school to college-age to pay for tuition, fees, room and board, and/or books for full-time studies at qualifying schools described under IRC Sections 509(a)(1) and 170(b)(1)(A)(ii).

You will award approximately N scholarships annually. Scholarships awarded will range approximately between x dollars per recipient. The actual number and amounts of scholarships, however, will be determined by your board of directors, based on such factors as your available funds, the number of qualified applicants, and the other financial aid resources available to your scholarship recipients.

Your eligibility criteria will be based on the following:

- a) The applicant must be at least        years old and reside in or attend (or plan to attend) school in one of six B zip codes.
- b) Applicants must provide evidence of accepted admission to a school holding evangelical Christian views.
- c) The applicant must submit a completed application that includes a brief essay no later than        of the award year, along with recommendations from one teacher and a pastor at the applicant's church.
- d) The applicant must submit a written Statement of Faith describing his or her walk with the Lord.

Scholarships will be made on a one-time basis. While grant recipients may reapply, the new application is considered on its own basis and is not treated as a renewal.

You will publicize your scholarship program through churches, school counselors and teachers, and the Internet. The number of individuals eligible to apply annually is indefinite, since eligible applicants may reside in or attend (or plan to attend) schools located in one of six different northwest B zip codes.

For students attending grade school or high school during the award year, your selection criteria will be based on the following:

- Successful completion of the student's most recent grade level
- School or extracurricular activities, awards and honors, as reported on your application form
- Personal Statement of Faith, or a statement from the applicant's parent(s) or guardian(s) describing their role in guiding the applicant to a relationship with Jesus Christ

For graduating high school seniors and current college students, your selection criteria will include:

- Successful completion of high school diploma requirement and academic achievement, including cumulative GPA, class ranking, and standardized test scores, as reported on your application form
- Acceptance to an undergraduate program at a regionally accredited post-secondary college or university holding evangelical Christian views
- A personal Statement of Faith
- School and extracurricular activities, awards and recognitions, and special talents
- Involvement in community service and/or skills learned and responsibilities assumed through employment, including summer jobs
- Two letters of recommendation, including one from a teacher and one from the individual's pastor

For all applicants, you will also consider demonstrated financial need with respect to the student's ability to complete his or her higher education at a qualified institution without financial assistance. You have not set a financial threshold to qualify for your scholarships; instead, you will consider the costs of attendance at schools and other financial obligations of potential scholarship recipients and their families as applicable. To verify this information, you may require financial statements and representations from potential recipients and their families, or you may rely upon the independent vetting processes of schools that refer students to you for potential financial assistance.

Your scholarship selection committee will consist of your board of directors. No members of the selection committee or their relatives will be eligible to apply for your scholarships. Your scholarship selection committee will review applications for completeness. Incomplete applications will be returned to applicants.

Scholarship funds will be provided directly to the school prior to the beginning of each semester to be applied to such semester. Any funds not used shall be returned to you.

Each scholarship recipient must provide a report at the end of each award year describing the use of the funds and his or her academic progress, including courses taken and grades received. If the reports submitted or other information (including the failure to submit reports) indicate that all or any part of a scholarship is not being used for its intended purposes, or if you learn that all or any part of a scholarship is being diverted from the intended purposes, you will take all reasonable and appropriate steps to recover the scholarship funds and/or to ensure restoration of the diverted funds to the purposes of the scholarship.

You will retain complete records with respect to all scholarships awarded. These records shall include all information obtained by you to evaluate the qualifications of potential scholarship recipients, the identification of scholarship recipients, the completed application of each scholarship recipients, the amount of each scholarship, the date(s) of each scholarship payment, evaluation reports from scholarship recipients, and any additional information that you may secure in the course of the scholarship administration process.

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