



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

Date:
10/24/2025
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202603012
Release Date: 1/16/2026

LEGEND

B = County
C = State
D = 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 providing scholarships for students graduating from a secondary school campus located in B in state of C who will face financial hardship and debt in pursuing post-secondary academic education. You will promote the scholarship program by contacting high school guidance counselors and school administrators to publicize the program.

Eligible scholarship recipients will be limited to students that have graduated or are graduating from a high school with a campus located in B in state of C, and are enrolled in a post-secondary educational institution.

Recipients will be selected based on financial need, as well as having demonstrated:

- Academic potential adequate to complete a postsecondary curriculum,
- Character traits of love, joy, peace, patience, kindness, goodness, faithfulness, gentleness and self-control, and
- Meaningful participation in church, school, extra-curricular, community and gainful employment activities.

Your selection committee is composed of your entire Trust Committee. You expect to reduce your selection committee in the future to a smaller subset of the Trust Committee. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors not eligible for awards made under your program.

The dollar amount of each scholarship awarded will be determined by the Scholarship Committee. The value of all scholarships awarded by the Scholarship Committee in a fiscal year will not exceed an aggregate amount determined by the Trustee. You expect to award D scholarships per school year but you do not have an absolute minimum or maximum number of scholarships to be granted per year.

Renewal of the scholarship will be dependent in part on the recipient providing you with a year-end essay each year in which the recipient will describe the difference receiving the scholarship has made in their growth, maturity, and overall development. Renewal is also dependent on the recipient showing continued academic growth and performance, with the expectation that the student maintains at least a 2.0 GPA. The amount of the scholarship awarded for upperclassmen will be determined each summer and will depend on the previous year end essay as well as the amount of other financial assistance available to the student for the following year.

You will obtain grade reports from the recipients. If grade requirements are not met the student is not eligible to have the scholarship renewed. Your scholarship recipients must maintain eligibility based on the criteria for which they were selected and must demonstrate compliance with the terms of the grant, to the extent specified in the grant award. Your scholarship recipients will be required to submit a renewal application each year.

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

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