



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

Date:
11/12/2025
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202606008
Release Date: 2/6/2026

LEGEND

UIL: 4945.04-04

j dollars = Dollars
K = Number

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 two programs, a scholarship program described under Section 4945(g)(1), and a program granting awards and prizes to achieve a specific objective described under Section 4945(g)(3).

To be eligible for a scholarship or grant, the recipient must be a:

- Primary or secondary school student
- Undergraduate or graduate student at a college or university who is pursuing studies or conducting research to meet the requirements for an academic or professional degree

- Full time or part-time student who receives a scholarship for study at an educational institution

Scholarship Program

You will provide scholarships to individuals, including college, graduate, primary, and secondary school students, to enable the recipients to complete an undergraduate or graduate education in the field of their choice, at the college or graduate school of their choice. You intend to provide individual scholarships on an objective and nondiscriminatory basis to promising individuals to constitute a scholarship which would be subject to the provisions of section 117(a) and to be used for study at an educational organization described in section 170(b) (1)(A)(ii).

You intend to award up to K scholarships of j dollars each per school year. You will award scholarships for a one-year period. To qualify for scholarship renewal, recipients must resubmit an application and provide updated materials. 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.

Eligible recipients are selected based on:

- Prior academic performance
- Performance of each applicant on tests designed to measure ability and aptitude for educational work
- Recommendations from instructors and others who have knowledge of the applicant's capabilities
- Applicant's career, academic and other relevant experiences
- Financial need
- Conclusions drawn by the selection committee as to the applicant's motivation, character, ability, or potential

Awards and Prizes to Achieve a Specific Objective

You will provide grants to individuals to enable them to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee that relates to the your mission. This may include capacity-building programs for leadership to teach individuals critical leadership and governance skills.

Your eligible individuals may include graduate students, scholars, professionals, and other individuals and leaders, locally and world-wide, with specialized skills or knowledge. Your grants may be awarded to pay for a course of study leading to a certificate or to achieve a skill level, such as art or vocational school. Your grants may cover the cost of tuition and related expenses. You do not plan to distribute any grants annually and will determine the amount to be distributed in the future.

Your selection criteria is related to the purpose for which the award is established and may include prior experience, contributions to the field, demonstrated academic achievement, financial need, character, ability, motivation and potential. If your award is to pay for a course of study leading to a certificate or a higher skill level, criteria shall be related to the purpose for which the award is established and may include financial need, character, ability, motivation, potential and the relevance of the candidate's course of study and career objectives. Your Board of Directors shall review applications received and make its determinations regarding the granting of grants in accordance with the provisions set forth herein. Your applicants shall be required to submit such application forms and supporting materials.

Both Programs

You will promote your programs at various events, websites, social media and other online outreach platforms. Your publicity procedures are designed to maximize awareness, ensure broad and equitable access. You regularly communicate with a wide range of educational institutions, including high schools, colleges, universities, and vocational schools, as well as community organizations and nonprofit entities. Your materials are distributed to school counselors, administrators, and community leaders to ensure the potential applicants are informed and encourage to apply. You issue public announcements and press releases in local and regional newspapers, as well as on widely used online platforms and scholarship search engines. You maintain a dedicated section on your website for all scholarship and grant programs, providing comprehensive information, and downloadable application forms. You also utilize social media channels and email newsletters to disseminate information about upcoming opportunities, deadlines, and program updates.

Your selection committee would be entirely independent. Your board chooses one non-board member and two board members who each possess relevant experience in grant applications and approvals. Your organization will conduct conflict-of-interest checks verifying that no committee member has family ties, extended family relationships, or any other potential conflicts with the candidates. Your organization confirm their backgrounds and expertise before appointment and ensure that at least one non-board member serves on the committee to promote impartiality. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors eligible for awards made under your program.

When possible, you pay all grants directly to the recipient's educational institution. Your grants can be used only for: (1) tuition and fees required for enrollment or attendance of the student at a qualifying institution; (2) fees, books, supplies, and equipment required for courses of instruction at such an educational institution; and (3) room and board. An additional condition is that no part of your grant shall be used as payment for teaching, research, or other services by the scholarship recipient required as a condition for receiving the grant.

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

Enclosures:
Letter 437

cc: