



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

Date:
11/21/2025
Taxpayer ID number:

Person to contact:

Release Number: 202607024
Release Date: 2/13/2026

LEGEND

B = State
C = Number
D = Number
f dollars = dollar range
g 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 for students in the local area to help overcome financial barriers to achieve their dream of acquiring a high-quality American education. Scholarships will be awarded to both high school and undergraduate college students.

You will publicize your scholarship program through local news outlets, social media advertisements, and the use of your mailing list.

To be eligible for a high school scholarship, applicants must have a cumulative grade point average (GPA) of 3.0 on a 4.0 scale, demonstrate financial need, be a resident of B, and provide proof of attendance to an accredited 4-year college or university.

To be eligible for a college scholarship, applicants must have a GPA of 2.5 on a 4.0 scale, demonstrate financial need, be a resident of B, and provide proof of attendance to an accredited 4-year college or university.

Specific criteria you use to select recipients include the following:

- Academic Performance;
- Extracurricular involvement; and
- An essay response that describes a dream or goal of the applicant and how they plan to achieve that goal.

A committee will then select approximately C applicants from each of the high school and college pools to be eligible for an interview process where their applications will be further elaborated on. All applicants will receive the same questions.

An independent selection committee will be chosen to review the scholarship requirements and select winners. The committee will be hired based on their experience in working or dealing with the education system and who can provide an unbiased review of the applicants and their qualifications.

You will provide D scholarships in the amount of f dollars each, totaling approximately g dollars per year.

Scholarships are made on a one-time basis and are not renewable. You will receive transcripts from the high school or college, depending on the scholarship. Each grant will be paid directly to the school to be applied to the student's account, if and only if the student maintains the required GPA and remains enrolled in an accredited 4-year college or university.

If the terms of the award are violated, the student will become ineligible for the scholarship and the award will be revoked. Students must be in good academic standing to receive an award and this determination will be left up to the individuals' college or university.

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.

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, Letter 4792