



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

Date:
12/10/2025
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202610021
Release Date: 3/6/26

LEGEND

B = School
C = Newsletter
D = Fund
E = Number of Students
F = Committee
g dollars = 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

You indicate you will operate a program to provide scholarships to graduating high school students of B to attend an undergraduate program at an educational institution. Approximately E graduating seniors are eligible to apply annually. You intend to award five scholarships annually to be given on a one-time basis. Your scholarships are not renewable.

The scholarship will be publicized annually through the C. The D may also publicize your scholarship program on their website and through presentations at B. D is currently exempt under IRC Section 501(c)(3). Also, high school counselors at B will discuss the scholarship program with students.

Applicants must satisfy the following eligibility criteria:

- 1) Strong academic performance
- 2) Active community involvement and/or work experience
- 3) Participation in extracurricular activities
- 4) Confirmation of enrollment in a college

The application will then be reviewed by your scholarship committee, which consists of F. Relatives of members of your selection committee, or of your officers, directors, or substantial contributors are not eligible for awards.

The scholarship of g dollars can only be applied to college tuition and qualified educational expenses. You will remain in touch with all recipients while they attend college. You intend to distribute the scholarship directly to the recipient's college for the recipient's benefit. In the event the scholarship exceeds the amount of tuition, the educational organization will be directed to distribute the remaining funds directly to the recipient. However, the recipient is still required to use these funds for qualified educational expenses, and the recipient must obtain prior written approval from you prior to using these funds in this manner. If the funds are used prior to the necessary written approval, the recipient must submit a receipt to you within 60 days of the purchase. If any of this procedure is violated, you will take all necessary steps to ensure the funds are redirected to a qualified educational expense or have the funds returned to you.

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

Enclosure:
Letter 437