



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

Date:
12/18/2025
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202611019
Release Date: 3/13/26

LEGEND

b dollars = Dollars
C = Number
D = County
E = State
F = High School
G = College

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 graduating high school seniors entering post-secondary educational institution. You intend to award a minimum of b dollars per year to at least C recipients. Your scholarships may be renewed annually for up to 3 additional years for a total of 4 years of scholarship eligibility. Your scholarships are designed to be last-dollar grants, meaning that the amount for which recipients are eligible is calculated after application of financial aid and other scholarships. You will publicize your scholarships through high schools and local organizations.

To be eligible for your scholarship, the student must be:

- Pursuing post-secondary education at an accredited institution in the U.S
- A resident of D, E, with a focus on students graduating from F and G.

Applicants will be scored by your selection committee using a scoring rubric based on the established selection criteria. Recommendations will be made to your Board of Directors, along with alternate selections in case any chosen candidates refuse the scholarship or are deemed ineligible. The selection criteria used to rate applicants will include:

- Financial need
- Academic performance,
- Performance on entrance exams
- Community service
- Work experience,
- Recommendations
- Optional written essays.

Your selection committee members are selected by your Board of Directors. Preference is given to selection committee members who are residents of D, E. You generally have at least one member of your Board of Directors on the selection committee. Your selection committee members generally serve up to 3 years and are then replaced.

Students must have the registrar of their school provide you with official transcripts in order to demonstrate that the students are in good standing. Qualified educational expenses are reimbursed only if receipts are provided. Scholarships will be renewed as long as the student maintains satisfactory academic progress as defined by the college/university in which the student is enrolled.

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