



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

Date:
01/15/2026
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202614038
Release Date: 4/3/26

LEGEND

B = State
N = Number
x dollars = Dollars

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 which will provide academic scholarship grants to individuals residing in B. You award N scholarship grants annually up to x dollars per scholarship annually for courses at schools or accepted for credit at participating schools recognized under IRC Sections 509(a)(1) and 170(b)(1)(A)(ii). Each participating school will sign a scholarship agreement outlining the mutually agreed terms and conditions for the administration of the scholarship program. You publicize your scholarship program through the financial aid offices of participating schools. There is no set limit on the number of eligible students who can apply for the scholarship program annually.

To be eligible for your program, applicants must:

- Be a resident and domiciliary of the State of B and be a United States citizen.
- Be within 30 hours of their baccalaureate degree completion.
- Be enrolled in courses that count towards a degree in their declared major.
- Be enrolled full-time, which shall be determined according to the school's definition of full-time; except that if a degree can be completed with less than full-time attendance, and with express prior written permission by you, the applicant may take less than a full course load. In such a case, the scholarship will be discounted from the maximum award by a fraction, the denominator of the fraction being the number of hours necessary for a full-time course load and the numerator being the applicant's actual course load.
- Have at least a 2.5 grade point average or its equivalent.
- Not have been enrolled and attending classes at any postsecondary institution for at least one year immediately prior to the awarding of the scholarship.
- Have declared a major in an area of study offered by the school they are attending.

The scholarship selection committee will be determined by the financial aid director of the participating school the award recipient will be attending. The selection committee will include the financial aid director, a person appointed by the financial aid director from academic affairs, and a person appointed by the financial aid director from the school's scholarship office. The selection committee at each participating school establishes the selection criteria based on the eligibility criteria and selects the recipients, so long as the committee's selection complies with the conditions of your scholarship agreement.

If a student awarded a scholarship for the fall academic term who during such term completes a full-time course of study, continues to meet the eligibility requirements, is otherwise in compliance with all requirements of the agreement and the scholarship procedures, the scholarship will be renewed for the spring academic term, or the equivalent, so long as the amount awarded is necessary for the expenses.

Prior to disbursement of scholarship funds, a recipient must provide you with a copy of their most current transcript, and the most current forms required by the school. Funds shall be paid to participating schools directly. You must receive a report on the progress of the recipient at least once each year. The report must include a summary of the use of the funds awarded and the recipients courses taken and grades received in each academic period, and the report must be verified by the individual school. If you learn by reviewing reports submitted or other information, including the failure to submit reports, that indicate that all or any part of the scholarship is not being used in furtherance of the purposes of such scholarship, you will investigate. While conducting the investigation, you will withhold further payments.

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.
- The effective date of our approval is _____, which is the date your request was submitted.
- 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