



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

Date:  
01/22/2026  
Taxpayer ID number:

Person to contact:  
Name:  
ID number:  
Telephone:

Release Number: 202616007  
Release Date: 4/17/26

LEGEND

UIL: 4945.04-04

R = Name  
S = Field  
T = County  
U = County  
V = Range  
w dollars = Dollars  
x dollars = Dollars  
Y = State  
Z = Field

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 program called R. The purpose of your program is to provide scholarships to residents or high school graduates pursuing a degree in the field of S that reside in T and U counties. You plan to award between V scholarships annually in the amount of w dollars for the first year with

**Letter 4792 (Rev. 1-2022)**  
Catalog Number 58263T

a renewable amount of x dollars for the second year. You will publicize the scholarships through outreach in local high schools, community centers, and various organizations within T and U counties as well as through your organization's website.

To be eligible for a scholarship is based on several factors. First, applicants must be pursuing a degree in S and must be enrolled in or accepted into an accredited program within the United States. Additionally, applicants must be residents of or high school graduates from T or U counties, Y. The scholarship is open to both high school graduates and individuals with a GED. To ensure a standard of academic achievement, applicants must have demonstrated a minimum GPA of 2.0 on a 4.0 scale. Furthermore, applicants are required to submit a 300-500 word essay addressing various topics, such as their career choice in S and how they plan to have an impact on the lives of others and their community. These criteria help ensure that the scholarship supports individuals who demonstrate academic potential, community involvement, and a commitment to the Z profession.

To maintain eligibility for S recipients must adhere to several conditions. First, they must be enrolled in an accredited Z program at an educational institution. First year recipients must provide proof of enrollment. Second year recipients must provide proof of re-enrollment and demonstrate the maintenance of a GPA no less than 2.0, on a 4.0 scale. Recipients must use the scholarship within 2.5 years of being selected as a recipient.

Recipients of R are selected through a rigorous review process that includes a scoring rubric. The primary criteria selection include the quality of the applicant's essay, which is scored based on several factors: their motivation for choosing S as a career, their vision for making an impact in their community, their involvement in extracurricular activities, and their personal uniqueness. Each of these categories is rated on a scale of 1 to 10. Additionally, the applicant's GPA is considered, with extra points awarded for higher academic performance (GPA is multiplied by 2 for additional scoring). The essays are anonymous to ensure impartiality, and at least three independent judges, who are not affiliated with the foundation's board or local Z groups, review and score the applications. In the case of a tie, the scholarship is awarded to the recipient with the higher GPA.

Your selection committee is selected by your Board of Directors and is composed of at least three judges who are independent of your board and have no affiliation with local Z practices in the T or U county areas.

Relatives of members of your selection committee, officers, directors, or substantial contributors may apply for R. Before applications are submitted to the selection committee your Board of Directors conducts a thorough review to confirm that no applicant is a disqualified person and that no familial or close personal relationship exists between the applicant and any member of the selection committee. Although applications are anonymized before reaching the selection committee to prevent bias, if your board identifies any potential conflict of interest or relationship between an applicant and a selection committee member, your board will appoint an alternative, impartial reviewer to assess the application.

Funds will be disbursed directly to the recipients, who must confirm enrollment and academic standing. All supporting documentation relevant to the scholarship selection, scholarship issuance, and maintenance of scholarship will be maintained for no less than seven years.

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