



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

Date:
02/06/2026
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202618016
Release Date: 5/1/26

LEGEND

V = Entity
W = Number
X = Range
y dollars = Dollars
Z = Number

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 to mitigate the financial burdens of students who continue education beyond high school, which will enable the recipients to complete an undergraduate or graduate education in the field of their choice at the college, graduate school or technical school of their choice. You estimate that the pool of eligible applicants would be W, which we determined is sufficiently broad. You intend to award X scholarship grants of approximately y dollars per year. All awards are one-time only, will not be renewable, and applicants will be informed they may only receive this scholarship once per lifetime.

To be eligible for a scholarship the applicant must:

- Be enrolled or formally accepted in a baccalaureate or graduate degree program at an accredited college or at an accredited technical school

- Be attending full-time during the award year
- Be a primary account holder at V at least for a year before applying
- Be in good standing with V
- Not be (or have family members) affiliated with the Foundation

Applicants must submit:

- Their name and contact information
- School where they are enrolled
- Financial information to assess their need
- Academic history with an official transcript
- Letter of intent explaining:
 - How the scholarship support their educational goal
 - Career aspirations of the applicant
 - Reason for the financial aid
- Resume with community service/extra curricular activities

Your scoring criteria will be:

- Financial need - 50%
- Academic achievement - 20%
- Community service/extracurricular activities - 30%

Applicants with significant financial need receive the greatest consideration in selecting your recipients. While there is no minimum GPA requirement, GPA is a factor used to determine academic achievement.

Your selection committee will be selected by your Board of Directors and will be made up of a panel of Z judges who are V members, or known members of the community. The committee members will review the scholarship applications, apply their judgement using the selection criteria identified above, and select the applications with the highest scores for a scholarship. Every committee member is instructed to recuse themselves if it is known that a family member or someone they are closely aligned with is applying. Alternate committee members will be available should a recusal occur. All applications will have names and contact information redacted before review by committee members.

Funds will be paid directly to the educational institute. Recipients will be asked to submit verification of proper use of the scholarship which may include, a signed statement by the awardee, tuition statements, report cards for the award period, canceled checks, or other similar records, within six months of receiving the award. If it is determined that the funds were misused, you will issue letters requesting repayment. Should these requests be ignored, further actions, including legal measures, maybe considered to collect the funds.

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