



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

Date:
02/02/2026
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202618019
Release Date: 5/1/26

LEGEND

B = Scholarship
C = Scholarship
D = County
E = Range
f dollars = Dollars
G = Range
H = Name

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 two scholarship programs, the B and the C, to provide grants to individuals who live in D County for study at higher educational institutions, who will be enrolled on a full-time basis by institutions that are accredited by a regional accrediting association, normally maintain a regular faculty and curriculum, and must normally have a regularly enrolled body of students in attendance at the place

where its educational activities are regularly carried out.

For each program, you intend to award approximately E scholarships of f dollars annually, and you will promote both programs through local newspapers, your website and guidance counselors at local high schools. Application forms will be available at all D County area high schools.

The B

To be eligible for the B, the student must be a resident of D County and be a graduating senior from a high school in the D County School District. Applicants will submit an application including personal data, GPA, rank in high school class, college they are attending, course of study, employment data, family annual income, estimated expenses, extracurricular activities and a 500-word typed essay describing career goals, life mission, and why they feel they should be a recipient of the scholarship.

The B selection committee will include two of your Directors who will select G independent persons who are not your employees.

The C

To be eligible for the C, the student must be a H participant, a resident of D County, and a graduating senior from a high school in the D County School District. Applicants will submit an application including personal data, GPA, rank in high school class, college they are attending, course of study, employment data, family annual income, estimated expenses, extracurricular activities and a 500-word typed essay describing career goals and how your H program has impacted their life, what your H program means to them, and the importance of your H program.

The C selection committee will include your Board of Director's H Committee.

Both Programs

To renew their scholarship, recipients must make a formal request for funds each semester by providing a tuition statement for the upcoming semester and a transcript of the previous semester. The initial payment requires the tuition statement for the school attending. Checks are sent directly to the student at the address provided in the application. In the event a recipient withdraws or becomes ineligible during the term, the recipient is expected to return the funds to you. Recipients become ineligible for future scholarship grants if placed on probation for two consecutive terms.

Your Associate Director arranges to receive a report of each scholarship recipient's courses taken and grades received in each academic period. Such a report must be verified by the educational institution attended by the recipient and must be obtained for each semester.

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

Enclosures:

Letter 437, Letter 4792 - Redacted