



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

Date:
02/10/2026
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202619021
Release Date: 5/8/26

LEGEND

B = School
C = School District
D = County, State
E = Organization

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 positively impact the future success of high school students and graduates of B within the C located in D. Your goal is to increase opportunities for students and graduates to successfully pursue post-secondary education with the assistance of your scholarships.

The number and amount of your scholarships awarded annually will vary based on your available funding and the number of applications you receive from eligible students. You will publicize your scholarship on C's communication websites and at B through direct communications with guidance counselors, teachers, and administrators. Your scholarships may be renewable for recipients demonstrating successful progress in their

educational programs.

Eligible students and graduates of B include those who:

- a) have been accepted into or are attending an accredited two- or four-year U.S.-based college or university,
- b) have graduated from a two-year program and plan to transfer to a four-year college or university,
- c) have been accepted into or are attending a trade, technical, or vocational program overseen or administered under the E,
- d) are seeking to enroll in and attend enrichment programs available or offered to high school students at accredited colleges or universities, or
- e) are seeking to continue their post-secondary education after a break or hiatus.

Your scholarship awards committee will include the principal of B, at least three B faculty members appointed by the E's superintendent, and a guidance counselor or other faculty members appointed by the same superintendent. Your committee will identify students for whom your scholarships have the greatest potential to profoundly and positively impact their future success in life.

Selection criteria to be considered by your committee will include financial need, personal character and motivation, community service and contributions, life experience, family dynamics, and whether applicants demonstrate the aptitude and potential to be successful academically at a college or university regardless of their high school performance.

Scholarships will be awarded on an objective and non-discriminatory basis. Your selection committee will conduct initial interviews with recipients. Scholarship funds will be paid directly to the college, university, or trade school. You will confirm the enrollment status of students with their educational institutions, and for multi-year scholarships, you will confirm they are in good standing with their institutions.

You will either directly or by contract with B or an independent non-profit scholarship administrator:

- regularly follow-up with recipients and the academic institutions they attend to verify enrollment and good standing,
- investigate any diversion of funds from their intended use and purpose,
- pursue recovery of diverted funds, and
- withhold future funds until assurance that diversions will cease.

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