



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

Date:
02/10/2026
Taxpayer ID number:

Person to contact:

Release Number: 202619023

Release Date: 5/8/26

LEGEND

V = Number

W = Number

x dollars = Amount to Amount

y dollars = Amount to Amount

UIL: 4945.04.04

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1) and advance approval of your educational grant procedures under IRC Section 4945(g)(3).

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.

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 provide in IRC Section 117(b)).

We also approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of IRC Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates you will operate two programs: a scholarship program and a grant program.

The scholarship program is for students pursuing or intending to imminently pursue a degree at an undergraduate or graduate institution in the United States that meets the definition of an educational institution under Section 170(b)(1)(A)(ii). The scholarships may be used to cover qualified expenses such as tuition, books,

academic fees, room and board, and related academic expenses. You anticipate that the average amount of the scholarship will be x dollars per year. The exact number will be determined on a case-by-case basis, perhaps V to W scholarships each year, depending on a number of factors, such as the students' financial needs, the cost of attendance, and your financial position. In a given year, you may choose to prioritize the grant program over the scholarship program.

The purpose of your grant program is to support study for those interested in participating in non-traditional skilled trade or vocational schools that may not meet the definition of an educational institution under Section 170(b)(1)(A)(ii). This may include apprenticeship programs, certification programs, or licensing programs in various trades. The awards will cover educational expenses associated with their participation in the programs. You anticipate the average amount of these awards will be approximately y dollars per year. The exact amount will be determined on a case-by-case basis, depending on factors such as the student's financial needs, cost of attendance, and your financial position. You may choose not to award these grants in the event that you prioritize making awards through the scholarship program.

The recipients of the grants must submit an annual report that describes the use of funds and progress made toward accomplishing the purpose of the grant. Final reports will also be required detailing the use of the funds.

Both awards will generally be made for the term coinciding with the student's anticipated timeline for completion of the degree or educational program. You plan to publicize both programs in collaboration with other IRC Section 501(c)(3) organizations serving a pool of potential applicants, such organizations supporting low-income and first-generation students, veterans, local students, or those who have served in the United States national security agencies.

To be eligible for both programs candidates must demonstrate a financial need for assistance, and additional criteria will be established to ensure that such candidates are a member of the intended population to be served. To determine financial need, you will rely on financial information regarding income, assets, and liabilities provided by the applicants. This may include personal financial statements and tax filings. In some cases, you may rely on financial information provided by other IRC Section 501(c)(3) organizations that identify scholarship candidates, including non-profits and financial institutions. Generally, there will not be limitations based on geography, but you may choose to focus on a region where you conduct your grant-making.

Recipients of your programs are selected through a process that includes multiple criteria. The applicants must submit an essay that highlights their experience and educational plans for the award. You will consider the quality of this essay as well as background experience. You will also consider the impact of the grant on the student's future goals and prospects, character, and financial need.

Your selection committee is composed of your Board of Directors. Relatives of members of your founders, officers, directors, trustees, foundation managers, or members of your selection committee or their relatives are not eligible to apply for your programs. In order to manage any additional potential conflicts of interest, your selection committee will make all scholarship decisions in accordance with a conflict-of-interest policy.

Funds will be disbursed directly to schools so that the schools can apply funds for enrolled recipients in good standing. The schools will provide evidence of the student's good academic standing prior to you making the payment. If the student is no longer in good academic standing, future payments under the scholarship will not be paid for that student, and the student will be notified. Such students will also no longer be eligible to re-apply in future years for either program. When it is not possible to make payments directly to the schools you will pay the awards directly to the students following confirmation of the student's enrollment, educational costs, and good academic standing. All awards will be made subject to a written agreement between you and the recipient.

The agreement will require the recipient to use the funds in support of certain specified educational expenses and require an annual report and final report on use of 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.

IRC Section 4945(g)(1) Requirements:

- 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).

IRC Section 4945(g)(3) Requirements:

- 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).
 - A prize or award subject to the provisions of IRC Section 74(b), if the recipient of the prize or award is selected from the general public.
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulation Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

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