



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

Date:
02/19/2026
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202620010
Release Date: 5/15/26

LEGEND

F = State
G = Association
x dollars = Grant

UJL: 4945.04.04

Dear _____ :

You asked for advance approval of your educational grant procedures under Internal Revenue Code (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 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 a grant program under IRC Section 4945(g)(3). The grants are meant exclusively for paying down outstanding student (educational) debt. The grant is open to any member of G in F. G consists of a large number of members throughout F. The program is announced in G publications and on G's project website.

This program exists to address the lack of optometrists in underserved areas of F. The grants are designed to benefit applicants who work in underserved areas, provide free care and treat a high percentage of Medicaid patients. There are a variety of G programs that are aimed at serving this population. Optometrists participating in these programs are desired applicants.

When a doctor participates in G's programs, G's staff is responsible for scheduling the clinic or educational programming. The staff member enters the program information, along with the name of the doctor/award recipient who is volunteering in the program on an electronic system.

Grant recipients are chosen by your Board of Directors through a blind scoring system that does not identify the applicant to the selection committee. The scoring system assigns a non-identifying number to each applicant and is scored based on points for positive factors. These factors include, but are not limited to, years in practice, participation in programs aimed at charitable classes (disadvantaged, seniors, children etc.) and provision of free care. Participation in the various G programs that are aimed at serving underserved populations is the key component in receiving positive factor points. Selections are based solely on points scored. This ensures that no bias is shown in the selection process.

Grant amounts are limited to no more than x dollars.

Grant amounts are paid directly to the educational lender, solely to be applied to the recipient's outstanding educational debt. This ensures that the terms of the award cannot be violated.

Your Board of Directors has access to G's electronic records and can continuously verify the grant awardees' participation in the volunteer pro-bono programs and services outlined in the loan forgiveness application. Through the year, the electronic system generates monthly reports that track and reflect, in real time, the pro-bono care given to underserved patients through the G's programs and the additional criteria outlined in the application. Your staff reviews these reports and verifies ongoing participation.

Accountability is further maintained through the final report which documents the yearly summary of the recipient's volunteer work, application, award amount, and confirmation of payment to the financial institution.

There are no renewals of the grant under this program, though applicants may re-apply in subsequent years. However, new applicants receive preference in the selection process.

Relatives of your governing body and/or the selection committee and/or their relatives are ineligible to receive grants.

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 grants 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); or
 - 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; or
 - 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.
- The effective date of our approval is _____, which is the date your request was submitted.
- 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 make 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