



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

Date:
03/26/2026
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202625029
Release Date: 6/18/26

LEGEND

B = Company
C = Time Frame
D = Age
E = Age Range
F = Selection Committee

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 to provide scholarships to dependent children of current or former B employees that were employed for at least C consecutive years for K-12 education at a private or charter school that demonstrates a commitment to principles of classical education. There is no set number of scholarships awarded per year, those figures will depend on the number of applications approved and the tuition for the educational institution. Scholarships will be awarded based on applicants meeting the requirements outlined in the application and upon a majority vote of approval by the scholarship committee. The scholarship will be publicized with written materials, and you will not award loans.

Applicants must be a dependent child of a current or former B employee which have been employed at least C consecutive years and applying for a scholarship towards a private or charter school committed to classical education. Parents must include a letter describing in detail how the school applied for demonstrates principles of classical education and specific steps they will take to ensure their child's academic success. The applicants must submit an essay describing how attending the education institution will further their educational aspirations and steps they will take to ensure their academic success. Applicants over the age of D must submit an essay describing how attending the educational institution will further their educational aspirations and the steps they will take to ensure their own academic success. Applicants ages E must submit an essay which describes how study at the educational institution will create a foundation of success after graduating high school. Returning applicants must provide copies of transcripts and must be in good standing with the educational institution.

Applicants must apply for a scholarship each academic year, including new letters and essays as required under the application. Applicants are also required to provide transcripts of grades at the end of each academic year and remain in good standing at the educational institution the scholarship is granted for. Subsequent awards of a scholarship are awarded upon a majority vote by the selection committee.

You will make payments directly to the school on behalf of scholarship recipients or provide funds to the student's family as they provide proof of tuition payments. Students are required to file copies of their grades/transcripts at the end of the academic year. If a scholarship recipient is found to be in violation of any scholarship terms, they may be prohibited from applying in the future and will be notified in writing by the selection committee. The selection committee is comprised of your officers. The selection committee members are F.

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