



Department of the Treasury  
Internal Revenue Service  
Tax Exempt and Government Entities  
P.O. Box 2508  
Cincinnati, OH 45201

Date:  
03/27/2026  
Taxpayer ID number:

Person to contact:  
Name:  
ID number:  
Telephone:

Release Number: 202625030  
Release Date: 6/18/26

#### LEGEND

B = District  
C = Scholarship  
D = Grant  
E = Grant  
F = Community  
G = State  
h number = Number  
i number = Number  
j number = Number  
x dollar = Amount  
y dollars = Amount

UIL: 4945.04-04

Dear Applicant:

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 educational programs called the C and D under the E grant program. These two programs are part of your initiative to provide funding to qualified recipients for tuition and other related educational expenses to further their education at an approved education institution.

### Scholarship C

The purpose of the C is to provide scholarships to eligible students who have graduated from B, to continue their education at an approved educational institution. You anticipate the number of scholarship awards will vary year-to-year based on the number of eligible high school graduates from B.

You will publicize your scholarship grants through your website. Your staff and committee members will share the information with interested individuals during supervision and promotion of the scholarship program.

To be eligible to apply for the C scholarship grant, applicants must meet the following criteria:

- The student resides in and is graduating from B, and students must have been enrolled in the school district for at least two years; the scholarship may be prorated based on the number of years they attended as follows:
  - Enrolled in the school district since elementary school are eligible a 100% scholarship.
  - Enrolled since middle school receive 90%.
  - Enrolled since 9th grade receive 80%.
  - Enrolled since 10<sup>th</sup> grade receive 60%.
  - Enrolled in 11th and 12th grade are not eligible.
- Maintain a 2.5 cumulative grade point average (GPA).
- Completed 50 hours of community service during their four years at B, prorated based on years enrolled.
- Be in good standing with the high school and remain in good standing at the chosen Approved Educational Institution.
- Not been convicted of a felony or having any juvenile adjudications.
- Submitted the Free Application for Federal Student Aid (FAFSA), if available for submission.
- Completed E application provided by you.
- Attended one mandatory meeting with a parent or guardian and a program administrator.
- Accepted to attend a qualifying U.S. educational institution full- or part-time.

Specific criteria you use to select recipients include the following:

You stated that you reserve the right to impose additional, minor reasonable restrictions and/or requirements upon the awarding of C awards and the administration of it. You anticipate any substantial or material changes will be made only with approval of your Trustees. You stated that you have not awarded the scholarship grants to students prior to this request and waiting for the IRS's advance approval of the scholarship procedures under section 4945(g) before beginning to award scholarships.

You anticipate applicants for C awards shall be required to submit such application forms and supporting materials as you may deem appropriate on a schedule to be determined by you. You intend awards may be used only for undergraduate or post-graduate level programs at approved educational institutions (which include trade schools) to cover tuition and approved educational expenses. You anticipate approximately h high school graduates from the district are eligible to apply for the C annually.

Each year under C, you expect to award approximately between h scholarships per year amounting between x dollars per scholarship. However, the number of awards will vary year-to-year based on the number of eligible high school graduates from B.

You intend that the maximum amount of each annual scholarship award will not exceed an amount equal to the highest G resident tuition (and required fees) rate established for the fiscal year by the G Board of Regents or other scholarship award in excess of y dollars.

#### Grant D

The purpose of your D grant program is to provide grants to eligible teachers employed full-time by B who desire to enhance their education through post-graduate level courses at an Approved education Institution.

To be eligible to apply for the grants, applicants must meet the following criteria:

- The teacher must be employed full-time by B.
- The teacher is currently enrolled in or seeking to take post-graduate courses at an approved educational institution.
- The teacher must submit a written proposal outlining their educational goals and commitment to the teaching profession and the F.

You anticipate applicants for D awards shall be required to submit such application forms and supporting materials as you may deem appropriate. You intend grant awards may be used for post-graduate level courses at approved educational institutions.

You will publicize scholarship grants through your website and through staff and committee members responsible for promoting grants to eligible district teachers. You anticipate that all district teachers employed full-time and seeking to enhance their education through post-graduate level courses at approved educational institutions would be eligible to apply for the D annually. However, you're not currently operating the D now.

For C scholarships, your trustees shall appoint all members of any review or selection committee charged with the evaluation of candidates for C scholarships. Your Trustees shall have the power to remove any member of the review or selection committee at any time for any reason. The number of members to constitute the grant review or selection committee may be increased or decreased by your trustees at any time and from time to time, but such number shall not be greater than j. Every member of any review or selection committee charged with the evaluation of candidates for C shall adhere to your relevant policies as you may be adopted and amended them from time to time, including without limitation a conflict of interest and confidentiality policy. It is your policy that no scholarships covered by this policy may be awarded to any review or selection committee member or their family members.

For D grants, selection committee members charged with the evaluation of candidates must disclose any personal knowledge of and relationship with any candidates for D under consideration and to refrain from participation in the award process in a circumstance where he or she would derive, directly or indirectly, a private benefit if any potential teacher grantees are selected over others. You intend no grants covered by this policy may be awarded to any review or selection committee member or their family members, your Trustees, substantial contributor to you, or any other disqualified person as defined in IRC Section 4946(a) with respect to the you, or for a purpose that is inconsistent with the purposes described in Section 170(c)(2) (B).

You anticipate that the selection committee established under this policy will notify you of the scholarships and grants awarded in such form and on such schedule as you shall establish.

You anticipate your C scholarship grants are awarded for a one-year period, but may be renewed annually for a period not to exceed 4 years, unless the student is eligible for a 4 years, unless the student is eligible for a deferral for applicants who (i) joined military service, (ii) agreed to serve on a church mission trip, or (iii

accepted full- or part-time work, and up to a total maximum of 120 credit hours. Furthermore, you may consider deferring a scholarship award on a case-by-case basis. An eligible student must submit a written request to you to defer a scholarship award.

Your D renewal is discretionary and subject to review and approval by the selection committee. It is not renewed automatically, and recipients must reapply each year. You anticipate that teachers employed full-time by B may request renewal for undergraduate or post-graduate level courses. You will evaluate each application and process as if it were a new grant for recipients to continue receiving funding each year.

You will pay your scholarship grant directly to service providers or vendors. If a student must pay for a service or item, reimbursement will require a receipt or other supporting documentation for the service or item to verify the funds were used for the intended purpose. If the terms of the award are violated, the selection committee will review the information ascertained from the investigation and determine whether the individual's ability to apply for future grants will be revoked. The individual's advocate would schedule a meeting with the recipients to discuss the determination made by the selection committee. Depending on the severity and the amount involved, B may pursue additional action.

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

Enclosure:  
Letter 437