



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

Date:  
04/01/2026  
Taxpayer ID number:

Person to contact:

Release Number: 202626008  
Release Date: 6/26/26

LEGEND

S = Name  
T = Region  
W = Number  
X = Number  
Z = State  
y dollars = Dollars

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 fellowship called S. The grant awards multi-year educational grants to high-achieving students living in T area who have experienced the death of a parent. The purpose of the grant is to reduce the financial and emotional burden on these individuals, enabling them to attend and successfully graduate from accredited four-year colleges. This grant will provide financial assistance to individuals pursuing an undergraduate degree at educational institutions described in Section 170(b)(1)(A)(ii). The grant provides a multi-year grant, supporting students for the full four years of their undergraduate enrollment, provided they

maintain eligibility and participate in a variety of mandatory program activities. The number and amount of grants will vary and be determined by the applicant's financial need, academic merit and your annual budget. The annual grant amount per recipient will range from y dollars depending on your annual budget and is based on the recipient's unmet financial need, as determined by the financial aid application (FAFSA/Institutional Aid) which will be verified by you.

The grant will be publicized to ensure widespread knowledge and access among the target demographic. Publicity will include listing on your website, public scholarship websites (e.g., Fastweb, regional scholarship directories), and direct outreach and partnership with local school districts, high schools, and other T area youth-serving nonprofit organizations.

You will determine eligibility for a grant through a clearly defined, objective, and non-discriminatory process.

You listed the following criteria as the foundational requirements to apply for grant assistance:

- Applicant must be a high school student living in T area.
- Applicant must have experienced the death of a parent (biological, adoptive, stepparent, or legal guardian).
- Applicant must be accepted and planning to enroll in a bachelor's degree program at an accredited four-year college or university.
- Applicant must have achieved at least a W cumulative GPA in high school.
- Applicant must be graduating during the application year from a high school located in the defined T area, which includes X counties specified counties in the state of Z.

A selection committee will evaluate the quality of applications completed and submitted with all required application materials through an online portal prior to the deadline.

Applications will be reviewed with emphasis placed on the following areas:

- Academic work ethic and readiness to succeed in college.
- Commitment to creating a supportive network with peers.
- Resilience and perseverance in the face of challenges.
- Self-advocacy toward personal wellness and success.
- Financial need will be a factor considered during the selection process.

You will impose the following academic and enrollment conditions:

- Full-Time Enrollment: The recipient must maintain enrollment as a full-time student pursuing a bachelor's degree at the accredited four-year college or university for the duration of the grant.
- Academic Performance: The recipient must maintain a minimum cumulative Grade Point Average (GPA) of W or the minimum standard required by their institution, whichever is higher, and submit transcripts regularly for verification.
- Cohort Engagement: The recipient must actively participate in coordinator check-ins, cohort meetings, mentorship sessions, and required workshops to leverage the comprehensive support network.
- Wellness Participation: The recipient is required to attend grief support group meetings, or participate in equivalent wellness counseling, as part of the holistic support pillar of the program.

The selection committee is appointed by your Board of Directors. The committee's composition and procedures are designed to adhere strictly to the objectivity and independence requirements of Internal Revenue Code Section 4945(g) and the related Treasury Regulations. The committee will consist of at least three (3)

individuals and may include any combination of: members of your board of directors and employees, local educators, and local nonprofit leaders. Committee members must be qualified to evaluate candidates based on academic merit, personal resilience, and community fit. Crucially, the committee members must also be independent of the applicant pool and must not derive any private benefit from the election process.

To ensure this independence, the committee must exclude any individual who is:

- Related to an applicant by blood or marriage.
- An employee of, or related to, an organization the applicant controls.
- An individual who could personally benefit from the selection of a specific applicant.

You will make payments due under your program directly to the scholarship recipient's educational institution. The educational institution must agree in writing to use the scholarship funds to defray the recipient's expenses only if the recipient is enrolled at such educational institution and his or her standing at the educational institution is consistent with the purposes and conditions of the grant. Your staff will supervise procedures to ensure that grant funds are used exclusively for educational purposes and that the recipient is adhering to all program requirements.

You stated that you will complete the following:

- Arrange to receive and review grantee's 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.
- 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 stated 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.
- Establish that you undertook the supervision and investigation of grants described above.

If the terms of the terms of the award are violated, you also stated that:

- The Program Director will issue a formal written warning to the recipient. The recipient is required to meet with the Program Director to develop a corrective action plan.
- If the terms of the corrective action plan are not met within one academic term, or if a second violation occurs, the grant disbursement will be suspended pending re-evaluation of the recipient's status.
- If the recipient fails to cure the violation after the suspension period, or if the recipient withdraws from the college, the grant will be permanently terminated, and the recipient will no longer receive any future funding.

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