



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

Date:  
04/03/2026  
Taxpayer ID number:

Person to contact:  
Name:  
ID number:  
Telephone:

Release Number: 202626009  
Release Date: 6/26/26

LEGEND

T = Number

y dollars = Dollar Range

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 scholarship program aimed to assist deserving students who demonstrate academic potential, character, and financial need to pursue and complete their secondary or higher education at an educational institution described in IRC Section 170(b)(1)(A)(ii). Scholarships will be awarded to students enrolled in designated high schools and post-secondary institutions in the United States and internationally. You anticipate awarding T scholarships of between y dollars annually. Award amounts are dependent on the applicant's high school or college level, demonstrated need, and your available resources. As your assets grow each year, the number and amounts of grants will increase accordingly. The scholarship program is publicized widely through your website, high schools, colleges, and community outreach efforts. Family members of donors or directors are not eligible to apply for a scholarship. You do not provide educational loans of any kind. All awards are scholarships that do not require repayment.

Each applicant must submit a completed application form, including official transcripts and a personal statement. Scholarships are awarded to students who meet the following eligibility criteria: applicants must be current high school students or current college students planning to continue their education at an accredited college or university. Selection is based on academic achievement, demonstrated financial need, and engagement in community service or leadership activities.

Recipients are selected based on academic performance and potential for success, financial need, engagement in community service or leadership, and alignment with your charitable mission. Academic performance is evaluated through transcripts, requiring a minimum cumulative GPA of 3.5 on a 4.0 scale (or equivalent academic standing). Financial need is assessed through documentation such as family income statements or other relevant financial information. Selection is conducted impartially, without regard to race, gender, religion, nationality, or any relationship to your officers, trustees, or donors.

Selection committee members are appointed by the board based on experience and ability to evaluate applicants impartially. Members disclose any potential conflicts of interest, and anyone with personal or financial connections to applicants is recused to ensure fair and unbiased decisions. Committee members are not disqualified persons (as defined in IRC 4946) with respect to any potential recipient.

Scholarships may be renewable for multiple academic years, provided that recipients continue to meet eligibility criteria and maintain satisfactory academic progress. Recipients seeking renewal must complete the following process:

- Submit a new application for continued support;
- Provide official transcripts or academic records;
- Demonstrate continued enrollment in an accredited educational institution;
- Maintain a minimum cumulative GPA of 3.5 on a 4.0 scale (or equivalent academic standing).

Scholarship funds may cover tuition, required fees, books, and other direct educational expenses. You will require recipients to submit periodic transcripts or progress reports to verify enrollment and academic performance. Scholarships are paid directly to the school when possible to ensure funds are applied for enrolled students in good standing. When direct payments to the institution is not possible, recipients must provide proof of enrollment and receipts verifying that funds were used solely for educational purposes. If recipients fail to meet award terms, such as maintaining the required GPA or enrollment, the scholarship may be suspended or terminated, and any misapplied funds must be returned.

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