



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: 202626013
Release Date: 6/26/26

LEGEND

B = Scholarship
C = City, State
D = State

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 called the B. The purpose of the B is to provide annual scholarships to qualifying high school seniors and graduates of public high schools located in C. Your scholarships must be used to pursue higher education on a full-time basis leading to a degree, diploma, or certificate at accredited colleges or universities located in D.

You were previously granted advance approval to operate the B; however, you intend to expand your eligibility requirements and modify your operating procedures. To expand your program, you will award scholarships to high school seniors and graduates of public high schools located in C, rather than one specific public high

school. To modify your operating requirements, you will utilize an external services provider to administer the B. This provider will manage the publication, application, receipts and payment processes, and review applications. You may remove or replace your external services provider at any time and as needed.

You will advertise the B with a marketing plan that may include flyers, scholarship information sheets, public announcements, website postings, and promotional packages with program information, marketing materials, and paper applications mailed directly to guidance counselors at each public high school in C every year.

The number and amount of your scholarships will vary each year, depending on your available funds and the qualifying number of applicants. The B may be renewed for up to three additional years for recipients that submit a renewal application, maintain a minimum 3.0 GPA, and continue to attend accredited colleges or universities in D. Renewal scholarships are not guaranteed and amounts awarded may vary from year to year based on your available funding and the number of renewal applications.

To apply for the B, eligible applicants must submit completed applications that include:

- (1) a signed scholarship award agreement,
- (2) official transcript or grade report,
- (3) a personal statement or essay detailing future college and career plans,
- (4) completed W-8 or W-9 forms, as applicable, and
- (5) a copy of their student aid report from the applicant's completed FAFSA submission.

Your external services provider will review applications and initially select your scholarship recipients based on the quality of their essays and the following additional criteria:

- Minimum cumulative GPA of 3.0 on a 4.0 scale
- Demonstrated financial need
- Active involvement in community service and campus leadership

Each subsequent year, your external services provider will provide you with renewal materials from your scholarship recipients, and you will determine whether your recipients will receive renewals of their scholarships. Your scholarships and renewals will be awarded on an objective and non-discriminatory basis.

Your scholarship funds will be paid directly to recipients' schools for payment of tuition, fees, and books. Your scholarship recipients must sign a scholarship payment form and submit it to their schools to certify their enrollment and then ensure it is returned to you no later than three weeks following notification of the award. Failure to return the payment form in a timely manner will result in the permanent loss of the scholarship.

You may, in your discretion, terminate any scholarship in the event of a recipient's serious malfeasance, breach of his or her school's code of conduct, failure to provide you with requested materials, or conduct involving moral turpitude. Any unused scholarship payment will be returned by the school to you.

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

Enclosures:

Letter 437

Redacted Letter 4792

cc: