



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

Date:  
04/09/2026  
Taxpayer ID number:

Person to contact:  
Name:  
ID number:  
Telephone:

Release Number: 202627021  
Release Date: 7/2/26

**LEGEND**

W = City  
X = 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 described in IRC Section 4945(g)(1). Your mission is to support the people of W by ensuring that they can have a bright future regardless of poverty, age, ill health, inequity or any other hurdle. In furtherance of this purpose, your scholarship program is created to provide educational opportunities to individuals in the community that you serve. Your scholarship program is for students attending a two to four year accredited educational institution, trade school, or academic institution, all of which must be organizations described in IRC Section 170(b)(1)(A)(ii). You anticipate awarding at least X scholarships of between y dollars per year. The exact number and amount awarded will be determined based on availability of funds and number of applications. You will publicize the scholarship program on your website.

other Online locations that aggregate scholarship opportunities for students, and in your written materials.

To be eligible for a scholarship a student must be attending a high school in W. The applicant must be a high school senior at the time of submitting the application, who will be enrolled in a two year or four year accredited educational institution or trade school, and who agrees to use any scholarship funds awarded only at an accredited educational institution or trade school.

Recipients will be selected based on their academic record, community involvement, and anticipated future academic achievement. You will not require applicants to show a specific level of financial need to apply for your program. Students will be required to submit an application describing their past achievements and goals and their community involvement. Students may also be asked to submit a personal essay describing their alignment with your mission of community support.

Your selection committee will consist of members of your board of directors, or else a separate independent selection committee appointed by your board of directors. The selection committee will make its decisions on an objective and nondiscriminatory basis as required by law, based on objective written guidelines, to make sure the decisions are unbiased and reflect demonstrable financial need and student achievement. Relatives of members of your selection committee, officers, directors, or substantial contributors are not eligible to apply for your scholarships.

To maintain eligibility, recipients must adhere to several conditions. Recipients must:

- Be enrolled in an accredited nonprofit institution of higher learning or trade school for the purpose of earning a degree or certificate,
- Supply you with a transcript of academic performance or other appropriate evidence of progress toward a degree or certification, verified by the institution, as soon as a transcript or other evidence is available at the end of each academic or instructional year.

Funds will be disbursed directly to the recipient's school whenever possible. If you receive any information indicating that the terms of the scholarship have been violated or if the recipient fails to show adequate progress toward the degree or certificate, the selection committee will terminate the scholarship. You will take all reasonable and appropriate steps to either recover the scholarship funds or to ensure the restoration of diverted scholarship funds.

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