



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

Date:
04/17/2026
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202628015
Release Date: 7/10/26

LEGEND

C = State
D = Number
F = Entity
g dollars = Dollars
h 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 program under IRC Section 4945(g)(1) that provides scholarships to deserving students, based on need and merit, in order for them to pursue educational opportunities. These scholarships may only be used for qualifying costs, including tuition and required fees, required books and supplies, room and board, and incidental expenses related to attendance such as travel expenditures. The scholarship program is published on your website and through fliers.

In order to be eligible for a scholarship, students must be U.S. citizens (or permanent U.S. residents) and a resident of one of the D counties of C constituting your service area. Applicants must graduate from an accredited C high school and plan to enroll in or be enrolled in an academic degree program requiring at least

two years attendance at an educational institution located in C. The educational institution must be one that has been accredited by a recognized accrediting agency, such as F. Currently enrolled undergraduate college students are also eligible for scholarships. These applicants must have a cumulative Grade Point Average (GPA) of at least 2.5 on a 4.0 scale or higher to be eligible for consideration. Applicants must provide a copy of their transcript that shows cumulative GPA and number of hours earned. All scholarships are limited to the first undergraduate baccalaureate degree for a student.

Applications are reviewed in the order received and are scored on an objective and nondiscriminatory basis based on a scoring process you set in advance. Applications will be reviewed and scored to determine eligibility and award amount. The scores take into account academic performance, financial need, extracurricular activities, leadership, and references. Scores translate to specific scholarship levels, and scholarships are awarded until the maximum amount of scholarship funds for the year, as set in advance, has been reached.

Your Board of Directors serve as the selection committee with ultimate authority over the selection process. The board periodically approves the scholarship criteria and the scoring process for the applications, and how such scores translate to scholarship levels. Your employees serve as reviewers of the applications, with two reviewers per application applying the objective scoring process set by the board.

Relatives of your officers or directors, and substantial contributors are not eligible for awards. Relatives of application reviewers who are not officers, directors, or substantial contributors, and who do not otherwise constitute disqualified persons under IRC Section 4946 are eligible for scholarships. However, reviewers are not permitted to review or take part in any way in the review or scoring of the applications of related parties in order to ensure unbiased selections.

Individual scholarships range from g dollars to h dollars per year, and the total amount of scholarships provided each year varies. Scholarship funds are provided directly to the educational institution at which the recipient is enrolled, to be applied against tuition and related fees. If a student is not enrolled with a full-time courseload, the funds must be returned. If a student is enrolled with a full-time courseload, and after payment of tuition and related fees there is a balance of the scholarship funds remaining, the educational institution is directed to provide the balance to the student for use for other eligible purposes such as required books and supplies and room and board. Students are required to sign a certification that any excess funds beyond such qualifying costs will be returned. You collect transcripts each semester to ensure the students are making satisfactory progress toward their degrees and maintaining a minimum GPA.

Scholarships can be renewed annually but students are eligible for no more than four years of scholarships. Renewals are conditioned on continued full-time enrollment and satisfactory progress toward achieving a degree. You will review their college academic transcripts, and renewals are automatic if the conditions are met.

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