



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

Date:
04/15/2026
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202628017
Release Date: 7/10/26

LEGEND

UIL: 4945.04-04

B = State
C = Number
D = Number Range
e dollars = Dollar Range
F = Number
G = Number
H = Number

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 merit-based scholarship program for B residents pursuing undergraduate degrees in civil engineering and related fields at C institutions in B. You anticipate awarding D scholarships annually. The awards range from e dollars annually and are renewable for up to four years. The ultimate award

amount is determined after taking into account:

- Demonstrated financial need and impact of scholarship on educational access
- Overall merit score from your selection criteria matrix evaluation
- Cost of attendance at the recipient's institution, and
- Total available funding and number of qualified recipients in the selection cycle.

You will publicize your scholarships through your website, direct outreach to eligible B universities, social media, and community networks. You will not provide financial loans.

Applicants must meet all of the following eligibility requirements:

- B residency demonstrated by their driver's license, state ID, high school attendance for final two years or 12 consecutive months of residency,
- U.S. citizenship or permanent legal residency,
- Minimum cumulative GPA of 3.0 on a 4.0 scale,
- High school senior accepted to, or current undergraduate enrolled in, an approved civil engineering program at one of C eligible institutions in B,
- Full-time enrollment preferred (12+ credit hours per semester)
- Part-time enrollment (6-11 credit hours) permitted with proportional award adjustment

Applicants are required to submit a completed application form, official transcripts, two letters of recommendation from educators, one letter of recommendation from a professional or community reference, a personal essay addressing specified prompts, proof of residency, proof of U.S. citizenship or permanent residency, and verification of admission or enrollment at an eligible institution in an approved program.

Recipients are selected using objective, weighted criteria evaluated by the Selection Committee.

Applications are evaluated and graded based on:

- A written application evaluating academic achievement, commitment to civil engineering, entrepreneurial spirit, leadership and community involvement, career vision and goals, and personal qualities and resilience
- An interview evaluating communication skills, professionalism and poise, engineering knowledge and passion, and mission alignment and program fit
- Additional considerations include financial need and scholarship impact on educational access, geographic diversity within B, and alignment with your mission and values.

Selection decisions are made without regard to race, color, religion, sex, national origin, disability, age, sexual orientation, gender identity, or marital status. All applicants are evaluated using identical criteria applied objectively and consistently.

Your selection committee consists of F members, appointed by your board of directors. All committee members meet IRS independence requirements for private foundation grant-making: no employment, business, or financial relationships with scholarship recipients or their families during the period of scholarship eligibility plus G years following graduation; no substantial contributor relationships with recipient families or related organizations; and conflict free decision making without compensation for selection committee activities.

Relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for awards made under your program.

All scholarship funds are paid directly to the educational institution on behalf of the recipient. No funds are disbursed directly to the students. Awards are disbursed in equal installments at the beginning of fall and spring semesters upon verification of enrollment and academic standing. Scholarship funds are restricted to tuition and mandatory fees only. Funds may not be used for room, board, books, supplies, or other educational expenses.

To maintain a scholarship, recipients are expected to maintain a 3.0 GPA on a 4.0 scale, continuous enrollment in their academic program, satisfactory progress toward degree completion, and must submit semester progress reports upon semester completion.

Recipients can renew their scholarship by submitting an annual renewal application, participate in an annual check-in interview if requested, comply with all scholarship terms and conditions, and meet the scholarship maintenance requirements.

You will attempt to recover scholarship funds only in cases of significant violations. Recovery efforts include coordination with the educational institution for unused fund return, direct communication with recipient regarding repayment, proportional recovery based on semester completion and legal action, only in cases of substantial fraud or misuse.

You maintain comprehensive case histories for all scholarship recipients, and verification of any relationship to officers, trustees, or donors. All records are retained for the duration of each recipient's participation plus H years following disbursement.

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