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

Date:
04/20/2026
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202629027
Release Date: 7/17/26

LEGEND
B = Scholarship
C = Scholarship
D = Scholarship
E = City, State
F = Area
G = County
H = Entity
M = Number
N = Number Range
P = Number
Q = Number Range
w dollars = Dollars
x dollars = Dollars
y dollars = Dollars
z 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 three scholarship programs, the B, the C and the D, which will all prioritize support, development, and education of students and community leaders.

The B

You award M scholarships annually in the amount of w dollars to high school seniors residing in E and F for courses at schools recognized under IRC Sections 509(a)(1) and 170(b)(1)(A)(ii). Individual scholarships will be paid out over a four-year period. The number of scholarships and amount of each scholarship may vary from year to year and will be determined annually by your board of directors. Scholarships are not renewable. You publicize the B through local media, social media, and through coordination with each local high school. The number of individuals eligible to apply annually is approximately N.

Eligibility criteria will be based on the following:

- The applicant must be a resident of E or F
- The applicant is a graduating student from a local high school, public or private, or has completed the requirements for home-schooling.

Your selection criteria will be based on the following:

- Merit
- Personal statement
- Recommendations
- Community involvement
- Financial need
- Future goals

Recipients of scholarship awards will be required to provide proof of enrollment in a college or other institution of higher education for the first-year award. For subsequent years, recipients' will be required to provide proof of enrollment and a transcript to demonstrate a minimum GPA, as required by the scholarship description. Recipients' will be required to remain in contact with the community engagement director, who will ensure that recipients maintain ongoing eligibility for the award granted.

The C

You award P scholarship annually in the amount of 5% of your current corpus for the C, which has its own separate investment account under your umbrella, to a collegiate or post-collegiate student in an accredited program who has a demonstrated interest and a commitment to public service. For 2025, you intend to award a total of y dollars. For 2026, you intend to award a total of z dollars. The C fund does not include an upper limit, but you review the fund balances each year and will award a maximum of 5% of the current corpus for the C. You require the recipient to submit a tuition bill, to ensure the amount awarded does not overfund their tuition account. If the award is more than is due for one semester, you require a tuition bill to be submitted for each subsequent semester until the award is exhausted.

Scholarships are not renewable; however, previous recipients of funds may apply for funding in a subsequent academic year by completing a new full application. The new application will be considered separately on its own merit and will receive no additional weight against others. You publicize your scholarship program through local and social media, several large community focused employers and a nonprofit collaborative. The number of individuals eligible to apply annually is approximately Q.

Eligibility criteria will be based on the following:

- The applicant must be currently enrolled or about to be enrolled in an accredited program of post-secondary or post-graduate education.
- The applicant must be a current, past or future resident of G who is planning to return to G after completion of their educational program.

Selection criteria will be heavily weighted toward an applicant who can demonstrate a history of community involvement through recommendations, a resume, volunteerism, and community awards or recognition. The selection criteria of financial need, academic merit, extracurricular activities and employment history are evaluated on a scoring rubric which evaluates each criterion separately.

The D

You award P scholarship annually in the amount of x dollars to an individual who demonstrates exceptional leadership potential and a commitment to community betterment Scholarships are not renewable, however, previous recipients of funds may apply for funding in a subsequent academic year by completing a new full application. The new application will be considered separately on its own merit and will receive no additional weight against others. You publicize your scholarship program through local and social media, several large community focused employers and a nonprofit collaborative. The number of individuals eligible to apply annually is approximately Q.

Eligibility criteria will be based on the following:

- The applicant must be currently enrolled or about to be enrolled in an accredited program of post-secondary or post-graduate education.
- The applicant must be a current, past or future resident of G.

Selection criteria will be heavily weighted toward an applicant who can demonstrate a history of community leadership, volunteerism, and dedication to community improvement. There will be a competitive selection process based on a holistic assessment of leadership and character. Strong preference will be given for applicants with experience that reflects a dedication to community improvement. Selection criteria will include financial need, academic merit, extracurricular activities and employment history evaluated on a scoring rubric.

All Three Programs

Your scholarship selection committee will consist of the community engagement director and three members of your donations committee, which is comprised of a representative selection of employees of H who follow your stated and approved guiding principles. Appointments to the donations and scholarship committees will be overseen by your board of trustees.

Scholarship funds will be paid directly to the recipient's college or other institution of higher education and will only be paid on behalf of the recipient if they are enrolled and in good standing at such institution. Funds may only be used for tuition and fees (including books and supplies) at a post-secondary educational institution that is an accredited institution or non-U.S. equivalent. Funds must be used within six years of graduation from secondary school and are not assignable to any other student in whole or in part. Any unused portion of the awarded funds will be returned to the you. Any recipient who fails to maintain their academic good standing would be ineligible to receive grant funds for the subsequent year. You will obtain proof of enrollment in advance of each scholarship payment. These requirements will be stated in the student award letter as well as in the letter to the college or university that accompanies all scholarship payments.

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