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

IRS

Date:
05/01/2026
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202630021
Release Date: 7/24/26

LEGEND
y dollars = Dollar Range
C = Range

UIL: 4945.04.04

Dear :

You asked for advance approval of your grant procedures under Internal Revenue Code (IRC) Section 4945(g)(3).

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 educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of IRC Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request
Your letter indicates you will operate a fellowship program. The purpose of program is to help students who show great promise for success but lack financial means to achieve their educational and career goals, including those lacking the financial means to travel for critical study, research, internship and/or work opportunities, or hardships that may occur during their educational or professional development journey.

You will publicize the availability of fellowships to students by providing the fellowship details and application directly to vocational schools, high schools, colleges and universities. You will primarily issue fellowships in the form of grants, though you may consider loans without interest and without recourse.

You anticipate awarding fellowships ranging in the amount of y dollars to C students per year depending on the available budget. Fellowships will not be renewable however recipients may reapply for additional fellowships in subsequent years.

Eligible applicants must be enrolled in a high school, vocational, or higher education institute, including community college, undergraduate college or university. Applicants must provide past school records and submit an application detailing:

- Their financial need,
- Why the funds are being requested,
- How the funds will be used,
- Their educational and career goals, and
- Their commitment to achieving their goals.

Your board of directors will select fellowship recipients based on the candidate's demonstrated financial need, commitment to achieving their educational and career goals, excellence with special trades and skills, and personal history set forth in their application.

You will pay grants directly to students so they may be used for (1) travel expenses, room and board, and other expenses necessary to travel for research and work experience while attending high school, vocational school, or college or university, and (2) hardship expenses that may otherwise hinder a student's ability to pursue educational and professional experiences. When possible, expenses will be paid directly to or disbursed through the school financial aid office on the recipient's behalf. Each recipient will be required to submit concise monthly reports that include a detailed description and proof of how the fellowship funds were used.

You represent you will:

- 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 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 you will:

- Maintain all records relating to individual grants, including information obtained to evaluate grantees,
- Identify whether 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 grants 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii); or
  - A prize or award subject to the provisions of IRC Section 74(b), if the recipient of the prize or award is selected from the general public; or
  - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary,

artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulation Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

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