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

IRS

Date:
05/08/2026

Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202631016
Release Date: 7/31/26

UIL: 4945.04-04

LEGEND
w dollars = Dollars
x dollar = Dollars
y number = 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 scholarship program for qualifying applicants who are current undergraduate or graduate students at an accredited college or university in the United States. The purpose of this program is to defray the cost of education at students' educational institutions, such as tuition, books, or other college or university fees, while rewarding academic excellence and community service.

You anticipate awarding approximately Y scholarships of z dollars annually. The number and amount of scholarships awarded annually will vary based on the amount of funds available and the number of applications received from qualified applicants. You will publcize your scholarship program through word of mouth, alumni communications, newsletters from colleges and universities, and in church bulletins. You do not provide student loans.

Your scholarship program is open to any undergraduate or graduate student, with non-exclusive preference for students who demonstrate engagement in community service or plan to pursue a career in education or teach. Awards are based on the student's academic record, financial need, community involvement, and recommendation of a school counselor. Applicants submit a scholarship application, grade transcripts, and endorsement from a school representative.

Your selection committee will be made up of your trustees. The selection committee will select recipients based on the applicant's grades, leadership, and service experience. Procedures will be designed to ensure that the awards will be made on a non-discriminatory and objective basis, considering merit, scholarship, fellowship, leadership, service and/or financial need. No scholarship will be made to any member of the selection committee or a relative of any such member. There won't be any restrictions or limitations based upon the age, race, gender, or national origin of the prospective recipient or any relative of the respective recipient.

Scholarships are renewable by submitting a new application each year the applicant is eligible to apply. Funds are disbursed by check made payable to the recipient's college or university and may be used for tuition, books, and fees. The recipient will be required to repay the scholarship or grant if the terms of the award are violated.

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.

Insert if the organization made grants prior to receiving advance approval.
[• The effective date of our approval is [Month DD, YYYY], which is the date your request was submitted.]

- 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/make loans] 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/loan] 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