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

Date:
06/04/2026
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202635019
Release Date: 8/28/26

LEGEND
B = Number
c 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) and advance approval of your educational grant procedures under 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 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.

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 provide in IRC Section 117(b)).

We also approved your procedures for awarding educational grants/loans. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants/loans 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 two programs, a scholarship program described under Section 4945(g)(1), and a grant program described under Section 4945(g)(3).

Scholarship Program under Section 4945(g)(1)
You will provide scholarships to individuals who demonstrate both financial need and academic merit. The purpose of the scholarship is to reduce financial barriers to education while recognizing students who have shown commitment, discipline, and promise in their academic work. You intend to provide individual scholarships on an objective and nondiscriminatory basis to promising individuals to constitute a scholarship which would be subject to the provisions of section 117(a) and to be used for study at an educational

organization described in section 170(b)(1)(A)(ii).

To be eligible for your scholarship, the student must:

- Have applied for admission to, or be currently enrolled in, an accredited high school, college, university, vocational, technical, or professional program,
- Demonstrate financial need,
- Meet your academic standards, such as a 3.0 GPA or equivalent evidence of strong academic performance,
- Be in good academic and disciplinary standing, and
- Submit a complete application by the deadline, including:
  - A personal statement describing educational goals, financial circumstances, and intended use of the funds
  - Most recent transcript or report card,
  - Proof of enrollment, admission, or acceptance,
  - Documents showing financial need, and
  - One or two letters of recommendation.

You will select recipients based on the following criteria, in order:

- Financial need,
- Academic record, including GPA, rigor, consistency, progress, and transcript quality,
- Personal statement, and
- Character, service, and recommendations.

Your selection committee is composed of your directors. The committee will use a common score sheet or rubric to assess applications and select recipients. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for awards made under your program

You intend to award up to B scholarships each school year. Your scholarship is an annual award, and the amount will be decided by your scholarship committee. You will review the courses taken and grades of recipients to ensure adequate progress is being made and will then decide if renewal is required. Grants are renewable until the recipient has completed their degree program.

Scholarships are paid directly to the educational institution for tuition, fees, and books. You have monthly meetings with the recipients and get feedback on their individual performances in class and beyond You will request reports and grade transcripts to see if the recipient has been doing what was agreed upon and to ensure their drive and intentions have not changed.

You will maintain a file for each applicant containing the application, supporting materials, score sheet, award decision and payment record. You retain records according to your document retention policy. You apply the criteria consistently and maintain a written non-discrimination statement consistent with applicable law.

Grants program under Section 4945(g)(3)

You also offer grants to cover relocation and travel expenses for recipients of your scholarships who wish to attend an educational institution but would not be able without relocation or travel assistance. Funds are available only to the B recipients of your scholarships. Total funds granted through your scholarship and travel grants are limited to c dollars. Recipients of relocation and travel grants are expected to submit progress

reports, grades, and assessments to show what progress has been made and how the funds were used.

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.

IRC Section 4945(g)(1) Requirements:

- 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).

IRC Section 4945(g)(3) Requirements:

- 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).
  - 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.
  - 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.

Delete if not a loan program [Long-term, low-interest loans that private foundations make for educational purposes can be considered grants under IRC Section 4945(g)(3) and Revenue Ruling 77-434.]

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, Letter 4792 - Redacted