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

Date:
06/01/2026

Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202635020
Release Date: 8/28/26

UIL: 4945.04-04

LEGEND
B = Individuals
C = States
D = Number
x dollars = Dollars
y dollars = Dollars
z dollars = Dollars

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 program to award scholarships to B, enabling them to become economically self-sufficient by advancing their education to earn a certificate, Associate of Arts (AA), Bachelor of Arts (BA), or master's degree at a non-profit or public university. You publicize your program via email to the many human service organizations you fund located within C.

Only applicants nominated by such exempt IRC Section 501(c)(3) human service agencies that provide housing assistance, addiction treatment services, workforce development, domestic violence services or assistance for the formerly incarcerated in part, or whole, to B may apply. Using the criteria you provide, the agencies may nominate up to three qualified candidates. To be eligible, applicants must meet the following criteria:

- Be B and heads of household with dependent children/grandchildren under the age of 21 living with them and for whom they are legally and financially responsible;
- Be U.S. citizens/permanent legal residents holding a Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN);
- Have a high school diploma or General Education Development (GED);
- Be enrolled in or accepted to an accredited Section 501(c)(3) non-profit U.S. educational institution (community college, public/private university, technical or vocational program leading to a certification or an AA, BA, or master's degree);
- Have demonstrated financial need (i.e., household income at or below 200 percent of the Federal Poverty Level). Applicants are required to submit their FAFSA Submission Summary (FSS) and Student Aid Index (SAI) to assess overall financial need.

Your board of directors appoints your selection committee members. Each committee member serves a one-year term. You use a mission-driven selection process to identify applicants who demonstrate strong potential for academic success and commitment to becoming economically self-sufficient through education. The selection committee evaluates applicants using a formal scoring rubric containing the following core criteria: 1) Academic potential and preparation, 2) Clarity of educational and career goals, 3) Resilience and ability to overcome barriers, 4) Financial need, and 5) Program fit and mission alignment.

You will award up to D scholarships. The amount of your award is x dollars per semester, up to y dollars per year with a maximum of z dollars per recipient or D semesters. To obtain, maintain, and renew their awards, recipients must submit information through your online system complying with the following:

- Be enrolled and remain in good standing at an accredited, Section 501(c)(3) non-profit U.S. educational institution
- Take a minimum of six credit hours per semester
- Submit transcripts showing a minimum semester grade point average (GPA) of 2.5 has been maintained
- Continue to meet the financial eligibility requirements with proof as shown on the FSS
- Provide personal progress updates
- Submit an agency liaison progress report confirming continued engagement and progress towards completion of education
- Submit an attestation that scholarship funds were used in accordance with the budget proposal they submitted.

In addition to your oversight procedures described above, you have a program manager and system in place for regular documentation, communication, and accountability. The agency that nominated the recipient serves as a liaison. The liaison regularly monitors the recipient's progress, provides direct support to the recipient and reports back to you every semester. Recipients are required to have at least one annual check-in call directly with you. If terms of the scholarship award are violated, you will discontinue or pause payments pending investigation.

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.

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