



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

Date:
06/29/2026
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202639011
Release Date: 9/25/26

LEGEND

B = Program
C = Area
D = Number
e dollars = Dollars
f dollars = Dollar Range
G = State
H = Counties
j dollars = Dollars
k dollars = Dollars
m 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 a scholarship program called B. The goal of your program is to serve

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college students from low-to moderate-income households in C who are pursuing a college education with a genuine desire to develop their identity as a religious professional.

You anticipate awarding approximately D scholarships per academic year, with a total annual disbursement of approximately e dollars. The number of awards annually may be adjusted based on available funds and quality of the applicant pool. Award amounts follow a tiered structure based on demonstrated financial need, essay quality, and available funds. Individual awards range from f dollars annually.

To become eligible for a scholarship, applicants must meet the following requirements:

- G resident, with primary residence in H
- Enrolled full-time (minimum of 12 credit hours per semester) at an approved institution
- Demonstrated financial need: FAFSA Expected Family Contribution (“EFC”) of j dollars or below, and documented unmet need of at least k dollars per year after all institutional and federal aid
- Cumulative GPA of 3.0 or above (entering freshmen must submit first-semester grades before disbursement)
- Submission of a complete essay (minimum 500 words) demonstrating substantive, personal engagement with the integration of their faith and vocational purpose
- Active participation in a campus religious ministry or regular involvement in a local church community, demonstrated by a letter of support from a pastor, campus minister, or ministry leader.
- Not a disqualified person under Code § 4946 with respect to the Foundation, and not a family member (within the meaning of Code § 4946(d)) of any disqualified person

Priority will be given to first-generation college students, students from underrepresented communities, and students intending to serve C communities professionally. In order to apply for the B, eligible students must submit:

- Completed Application Cover Sheet
- The required Essay
- Official or unofficial academic transcripts (official required for new applicants, unofficial acceptable for renewals)
- Academic letter of recommendation from a current faculty member or academic advisor
- Spiritual letter of recommendation from a pastor, campus minister, or spiritual director, and
- Financial aid award letter from the applicant's institution showing all current aid (for accurate unmet need calculation)

Recipients are selected based on the following criteria, in order:

- Financial need
- Quality of essay showing genuine personal reflection on how faith is shaping the student’s sense of calling
- Academic achievement, including GPA and quality of faculty recommendation
- Community rootedness, including their ties to, and intent to serve, a C community
- Spiritual formation, including their church involvement and quality of their spiritual leader recommendation
- Attendance at a designated institution

Your scholarship committee consists of no fewer than three members appointed by your board of directors.

Scholarship Committee members may all be directors, but no member of the Scholarship Committee will vote on any application where the member has a familial or other close personal relationship with the applicant, or where the members would otherwise derive a private benefit from the selection of that applicant.

You have established requirements for scholarship recipients who wish to renew their scholarship. These requirements include:

- Maintenance of a cumulative GPA of 3.0 or above (students who fall below a GPA of 3.0 in a single semester are placed on academic monitoring),
- Continued full-time enrollment at a designated educational institution,
- Updated FAFSA demonstrating continued financial need,
- Annual report describing the student's vocational formation, academic development, and faith integration during the past year, and
- Continued engagement with any of your programming or mentoring connections established during the scholarship year.

Recipients of scholarships under the B are also offered:

- An invitation to your annual gathering which brings current recipients together for conversation, mentoring, and mutual encouragement in vocational discernment,
- Connections with religious professionals in their intended field for informal mentoring during the scholarship year,
- Guidance and monitoring on their formation journey through annual self-reflection reports on their faith and vocational development, and
- Emergency support – Recipients experiencing acute financial disruption may apply for a one-time emergency grant of m dollars.

Scholarship awards are provided by the scholarship committee directly to education institutions on behalf of the applicant whenever possible. In the event that funds are disbursed to the recipient, you will arrange to receive a verified report from each recipient's institution at least once per year. This report includes courses taken by recipient and grades received, as verified by their educational institution. Upon completion of a grantee's course of study, you will obtain a final report from the education institution.

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