



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

Date:
07/06/2026

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202640012

Release Date: 10/2/26

LEGEND

L = Continent

M = Number

n dollars = Dollar Range

P = Range

q dollars = Dollar Range

R = Range

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. 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 scholarship program under IRC Section 4945(g)(1) and a grant program under Section 4945(g)(3). The purpose of these programs is to expand access to higher education by reducing financial barriers.

Scholarship Program Under IRC Section 4945(g)(1)

You will establish and operate an annual scholarship program that supports students especially from L in pursuing undergraduate or graduate education. Scholarship funds may be used for qualified educational expenses, including Tuition, Room and board (on-campus or off-campus housing), Academic textbooks, Laptops or other required technology.

You intend to award a minimum of M scholarships annually, with each award valued at approximately n dollars depending on available funds and demonstrated need. The scholarship program will be publicized in ways that ensure broad, nondiscriminatory access to potential applicants. This will include a dedicated scholarship page on your website. It will contain eligibility criteria, application instructions, deadlines, FAQs, and access to the application portal and scoring rubric. Announcements will also be posted on social media platforms commonly used by students. You will also distribute information through posts to student groups, youth-focused pages, and community networks to reach eligible candidates. All publicity materials will clearly describe the scholarship's purpose, requirements, and application process.

In order to be eligible for the scholarship grants all applicants must:

1. Be enrolled in or accepted for enrollment at an accredited institute of higher learning (University, college, etc) for undergraduate or graduate study.
2. Have achieved, or be on track to maintain, at least a Second Class Upper Division (2:1) or its equivalent. Second Class Upper Division (2:1) is comparable to a grade point average of 3.0.
3. Demonstrate significant financial need or hardships interfering with educational progress.
4. Submit a personal essay outlining academic goals, personal background, and financial challenges.
5. Complete your formal application form available on your website.

Although you hope to assist students from L, your scholarships are open to anyone who meets the eligibility criteria. This will ensure a fair and nondiscriminatory application process.

Applications undergo an initial eligibility screening based on the eligibility criteria. Applications will then be evaluated using a standardized grading rubric which assesses the applicant's academic performance, the content and quality of their essay, their financial need, and alignment with your program goals. Recommendation letters from past teachers, university department heads, professors or lecturers related to the applicant's chosen course of study, will also be considered. Each Scholarship Committee member will independently score candidates before group deliberation. The committee will then provide a ranked list of recommended applicants to your Board of Directors. The Board will review the recommendations for compliance with program objectives and nondiscrimination requirements. Top candidates will be interviewed by the Board or a board-appointed interview panel. Questions will be standardized to ensure objectivity. After interviews, the Board will approve the final scholarship recipients.

To the extent possible, funds will be paid directly to the school. When payments must be made for qualified educational expenses outside the university (i.e textbooks, laptops, or off-campus housing), you will require and maintain invoices, receipts, proof of payment, and any relevant documentation to substantiate the legitimacy of the expense.

For scholarships spanning more than one academic year, renewal is contingent upon maintaining a satisfactory GPA, continuous full-time enrollment, continued demonstration of financial need and compliance with all scholarship rules and reporting obligations. Renewals are not automatic and must be approved annually by the Scholarship Committee and your Board.

For each academic year, recipients must submit: 1. Official transcript showing completed coursework and GPA

2. Proof of ongoing enrollment or course registration 3. Receipts and invoices for any approved educational expenses paid outside the university 4. A brief annual report describing academic progress and goals.

Grant Program Under IRC Ssection 4945(g)(3)

You will provide grants to individuals for charitable purposes including travel, medical assistance, caregiver support, leadership development, research exposure, and specialized skills training that furthers educational, health-related, or community benefit objectives.

Eligible applicants include:

- Individuals demonstrating financial need, medical necessity, or hardship
- Students enrolled in or accepted to educational institutions
- Individuals seeking support for medical care, caregiving needs, travel for educational purposes, or leadership and skills development

All applicants must demonstrate that the requested funds will be used for a clearly defined charitable purpose consistent with your mission.

These grants are intended to:

- Expand access to learning, treatment, and capacity-building opportunities
- Alleviate financial barriers related to medical care, caregiving responsibilities, or hardship circumstances
- Support participation in conferences, training programs, service experiences, or community-impact initiatives
- Strengthen leadership development and professional growth among individuals facing financial constraints
- Enhance community impact through knowledge transfer, skill acquisition, and improved wellbeing

Medical assistance grants may include support for treatment costs, assistive devices, caregiving related needs, or other documented health-related expenses, with preference for payments made directly to service providers whenever practicable.

Applicants must submit a written application through a structured process, which includes an online application form or documented written submission, including the following information:

- Description of financial need or hardship
- Intended use of funds
- Supporting documentation (such as invoices, proof of enrollment, medical documentation, or project plans, as applicable)
- Expected outcomes or impact

You will select recipients through an objective and nondiscriminatory process. Selections will be based on the following factors:

- Alignment with your charitable purposes
- Demonstrated financial need, hardship, or medical necessity
- Clarity, feasibility, and appropriateness of the proposed use of funds
- Potential impact on the individual or community

Selections will be based on an independent review and approval by a selection committee free from conflicts of interest designed to ensure that the grants further charitable purposes and do not confer impermissible

private benefit. You will retain full discretion and control over all grant decisions, and no funds will be earmarked for preselected individuals. Further, you will document the selection rationale and approval decisions to ensure fairness and consistency.

You anticipate awarding approximately P grants per year, depending on available funding and demand. Grant amounts are generally expected to range from approximately q dollars per recipient, depending on the nature of the request.

Whenever feasible, payments may be made directly to educational institutions, medical providers, vendors, or program administrators to further safeguard proper use of funds. You will retain records demonstrating appropriate oversight, monitoring, and compliance with private foundation grantmaking requirements.

Grant recipients will be required to use the funds solely for the approved charitable purpose. Documentation such as receipts, invoices, confirmations, or verification of participation or treatment will be required. Recipients must submit brief written updates, confirmations, or reflections describing how the grant furthered the intended charitable purpose.

Both Programs

The Scholarship Committee will consist of R individuals appointed by your Board of Directors. Members will be chosen based on their background in education, nonprofit work, or youth development, the demonstration of impartiality and/or strong ethical standing and their ability to evaluate applicants objectively. The Committee will be vetted for conflicts of interest and to ensure there is no relation to scholarship applicants and their families. Committee membership may rotate annually to promote fairness and reduce undue influence.

Grants will be structured to ensure that any private benefit is incidental, necessary and in support of your charitable purposes. All recipients will be chosen through the objective procedures described above. No grants will be awarded for the personal benefit of disqualified persons. All grant decisions will be subject to your conflict-of-interest policy, including disclosure, recusal where appropriate, and documentation of independent decision-making.

You will maintain documentation of applications and supporting materials, review and/or approval decisions, the grant amounts and disbursement details as well as follow-up documentation demonstrating charitable use of the funds. These records will be retained to demonstrate compliance and to support responsible stewardship and transparency.

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.

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