



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

Date:
07/15/2026
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202641011
Release Date: 10/9/26

LEGEND

UIL: 4945.04-04

B = Program
C = Number
D = City

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 the B. The purpose of the B is to provide scholarship grants to financially needy students with outstanding performance and achievements who will be attending full time undergraduate or graduate programs.

You plan to award up to C scholarships for the full price of annual tuition and living expenses, which can vary depending on the cost of tuition, the recipient's financial need, and your available resources. You will publicize the program on your website, financial aid offices at participating colleges and universities in D, and through local mental health and community service organizations in D.

Eligibility will be limited to individuals who:

- Demonstrate financial need through documentation such as a tax return, FAFSA, proof of participation in a governmental program, educational institution verification of need, or formal statement from the applicant's parent or guardian;
- Indicate academic merit via transcripts and personal statement;
- Are seeking a full-time undergraduate or graduate degree; and
- Are unrelated to your selection committee, officers, directors, and/or substantial contributors.

To apply for a scholarship, applicants generally must complete a scholarship application with a personal statement, a writing example, transcripts (if applicable), and a letter of recommendation or a personal reference.

Your Selection Committee will use the following criteria to select recipients, listed from most important to least important:

- Degree of underprivileged background. Preference will be for candidates applying from underprivileged or marginalized backgrounds including but not limited to individuals who are first-generation college students, persons of color, or a member of the LGBT community;
- Type of degree being pursued. Preference will be for candidates pursuing coursework related to mental health, social work, urban studies, addiction, or LGBT studies;
- Excellence in performance, achievements or character of the applicant relative to their peers, as demonstrated by outstanding:
 - Ability to articulate how their studies will benefit their community
 - Character & leadership qualities
 - Community service or work related to the preferred fields of study;
- Level of financial need;
- Preference given to those attending high school or residing in D.

In awarding grants, there will be no discrimination on the basis of race, gender, national origin, sexual orientation, or religion.

The Selection Committee, selected by your Board, will consist of a diverse group of Committee members who exhibit a commitment to philanthropy. These individuals will be from underrepresented communities, including first-generation college students, the LGBT community, and people of color, and may have experience in professions such as mental health and psychology. Members of the selection committee or their relatives are not eligible to apply for scholarships.

Your Board, in its sole discretion, may add or remove members of the Selection Committee and will replace members upon their resignation, removal, or inability to serve. New members of the Selection Committee will consist of individuals who are determined by the Board to possess the requisite knowledge, experience, commitment, and abilities to serve on the Selection Committee. Each member of the Selection Committee is obligated to disclose the existence of a relationship that he or she has with any applicant under consideration.

Grants made under the B are renewable for the duration of a student's degree or program. After the initial grant is awarded, the renewal amount awarded may vary from year to year depending on level of financial need. In order to obtain, maintain, or qualify for renewal of grants, applicants are required to be enrolled in an educational institution on a full-time basis, according to the individual school's definition of such status. Each

written renewal request must include a current transcript indicating a minimum 3.0 GPA, and proof of continued financial need.

Each renewal of a Program grant is contingent on the recipient's continued enrollment and good standing in an above-described educational institution. However, if a grant recipient fails to remain in good standing with his or her educational institution, your Board of Directors may accommodate a grant recipient if such poor status is a result of extenuating circumstances (for example, a temporary withdrawal due to the illness of a close family member). Such accommodation will be granted at the sole discretion of your Board of Directors on a case-by-case basis.

Funds will be paid directly to the recipient's educational institution. You will require the institution to agree to use the funds to defray the recipient's tuition and related expenses, such as room and board or to apply the funds otherwise for the recipient's benefit only if the recipient (1) is enrolled at such educational institution, and (2) remains in compliance with the institution's academic requirements necessary to obtain the desired educational degree or certification.

In cases of recipients whose study at an educational institution does not involve the taking of courses but only the preparation of research papers or projects, such as the writing of a doctoral thesis, you will require a brief report on the progress of the paper or project at least once a year. Such a report must be approved by the faculty member supervising the recipient or by another appropriate university official. Upon completion of a recipient's study at an educational institution, a final report must be provided.

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

cc: