



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

Date:
07/17/2026

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202641012

Release Date: 10/9/26

LEGEND

V = scholarship

W = school

X = number

y dollars = dollar amount

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 the V to provide renewable academic tuition scholarships for middle and upper school students attending W, potentially covering full annual tuition for up to seven years for middle school students or four years for upper school students.

You will award a total of X scholarships annually to cover the full cost of tuition at W, which is approximately y dollars adjusted annually. You will advertise the V in the local newspaper, community bulletin boards, and W's website. Applications will be submitted to an email address managed by you.

To be eligible for a scholarship, students must be enrolled or accepted at W, demonstrate strong academic ability, and intellectual curiosity. Scholarships will be renewable annually only if the recipient maintains a 3.0 GPA and remains in good academic and behavioral standing at W. If the student fails to uphold these requirements, they will enter a one-semester probationary period, during which W provides additional support before scholarship eligibility is reassessed.

Recipients will be selected on an objective basis using the following criteria:

- Academic performance
- Standardized test results
- Leadership qualities
- Extracurricular involvement
- Teacher recommendations

Relatives of members of the selection committee, officers, directors, or substantial contributors will not be eligible for awards made under your program. Your selection committee will be appointed by your leadership under the authority of your governing body. Your selection committee will consist of your representatives and individuals with relevant educational and community experience. These individuals may be affiliated with W or the broader local community.

To ensure independence and integrity in the selection process, committee members will be required to act in furtherance of your charitable mission and to evaluate applicants based solely on your established selection criteria. Members with a personal, familial, or other material relationship to an applicant must disclose such relationships and recuse themselves from the evaluation and decision-making process with respect to that applicant. You will maintain oversight of the selection process and ensure awards are made in accordance with your established procedures and objective criteria.

Scholarship payments will be made directly to W, which applies funds only to tuition. You will receive tuition invoices, transcripts, and confirmation of enrollment each term. Recipients and parents sign an information release form allowing W to share academic and conduct updates. If a student becomes ineligible or withdraws, you will coordinate with W to suspend future payments and reassess eligibility.

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.

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