



**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: 202641013
Release Date: 10/9/26

LEGEND

C = school
D = number range
x dollars = dollar amounts

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 merit scholarship program. The purpose of your program is to provide funding for high school students of C to attend college. Your scholarships must be used at accredited institutions of higher learning that qualify for exemption under IRC Sections 509(a)(1) and 170(b)(1)(A)(ii).

You will award approximately D scholarships annually worth approximately x dollars each. Your scholarships will not be renewable and must be used by recipients for tuition, books, housing, or other qualifying academic needs as determined by the recipient.

You will publicize your scholarship through the counseling office at C, which will notify students of the scholarship opportunity and your annual deadline.

Eligible applicants must be graduating from C, plan to attend an accredited institution of higher learning, and submit a completed scholarship application which demonstrates to the satisfaction of your selection committee prior academic performance, work experience, and volunteer experience. Completed applications must include at least one academic or professional reference. Only complete applications received by your annual deadline will be processed for scholarship consideration.

Your selection committee will consist of your officers who will apply strict scoring criteria to the following areas of merit for final scholarship selection:

- Activities, honors, and awards received at school, state, and national levels
- Personal statement on educational plans, career objectives, and future goals
- Personal statement on unique family or personal circumstances
- Applicant appraisal from an academic or professional reference
- Work experience from the past four years
- Transcript showing attendance at C and the applicant's GPA and class rank

Your selection committee will adhere to strict judging guidelines for each category to ensure consistency. The categories with the highest possible number of points your committee may award to applicants are transcripts showing GPA and class rank and activities, honors, and awards. The next highest number of points may be awarded for work experience. Your committee may then award the same number of points for the remaining three categories.

Once the applications are reviewed and each category is scored, your committee will rank applications in order of highest to lowest total scores and determine the number and amounts of scholarships to award. Your committee identifies amounts to award based on the previous year, your current financial position, and estimated qualifying distribution rules as set forth under IRC Section 4942.

Your scholarships will be one-time payments. You will issue a check directly to your scholarship recipients or their educational institutions upon verification of their enrollment. Funds issued to educational institutions will be applied to applicants' tuition, room and board, or other qualifying educational costs associated with their enrollment. You will request receipts for payments from applicants at your discretion and will seek to recover any scholarship funds from any recipients you find have falsified documentation regarding your scholarship criteria and requirements.

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 scholarship 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.
- The effective date of our approval is _____, which is the date your request was submitted.
- 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 scholarships 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 scholarship 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