



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

Date:
08/05/2026
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202644008
Release Date: 10/30/26

LEGEND

B = Scholarship
C = Individual
D = City, State
E = County, State
F = School
x dollars = dollar amount
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 a memorial scholarship program called the B, which is named in honor of C, a U.S. military veteran and lifelong resident of D, to memorialize his commitment to education and E.

Through the B, you will award scholarships to graduating seniors of F in D, located in E, who intend to pursue full-time post-secondary education at accredited educational institutions described in IRC Sections 509(a)(1)

and 170(b)(1)(A)(ii), including two- or four-year colleges or universities, or accredited trade or technical schools. Your scholarships will be used to defray qualified tuition and related expenses at such schools.

You will award up to a total of x dollars across one or more recipients during each of your annual scholarship cycles. Each individual award will be worth a minimum of y dollars.

You will publicize your scholarship through the F guidance office, the program website, and other community channels in E. No educational loans will be awarded. F typically graduates from to seniors per academic year.

To be eligible for the B, applicants must be:

- graduating seniors at F,
- self-report a cumulative GPA of at least 3.75 on a 4.0 scale,
- intend to enroll full-time at accredited two- or four-year colleges or universities, or accredited trade or technical schools, in the fall semester immediately following graduation at F, and
- be U.S. citizens or permanent residents.

Eligible applicants must submit completed application packages via email by your annual published deadline. You will confirm receipt of applications by reply email. Completed application packages must include an application form plus a 500-word essay.

Your selection criteria will include the following:

- academic achievement (cumulative GPA, course rigor, academic awards);
- demonstrated leadership in school, athletics, or community organizations;
- community service, especially in E;
- personal character, as reflected in the required 500-word essay;
- first-generation college status; and
- employment history.

Applicants will be evaluated on an objective and nondiscriminatory basis by your selection committee, which will consist of three members: your president, treasurer, and director. All committee members will participate in the review and scoring of applications. Decisions will be made by a majority vote of the committee and documented in a written record, which you will retain for at least four years from the date you award the scholarships.

All scholarships will be paid by check or electronic funds transfer directly to each recipient's educational institution. Prior to the distribution of funds, your recipients must confirm their enrollment by providing their institution's name and their student ID number assigned by the institution. Each institution must credit the funds directly to the recipient's tuition account; no funds will be paid directly to any recipient. Because scholarship funds are credited directly to each recipient's institutional account, you will rely upon the institution's internal controls to ensure funds are applied only to qualified tuition and related expenses for students in good standing.

Your scholarship is a one-time award and not renewable; therefore, you will not place upon your scholarship recipients any future requirements for continued academic performance or other similar conditions. However, if you learn of any diversion of funds for any reason by any of your scholarship recipients, you will immediately investigate, suspend pending disbursements, demand restitution, and take reasonable action to recover funds.

You will retain records related to each of your scholarship program cycles for at least four years from the date of issuance of your scholarship awards, including submitted application package materials; your selection committee's scoring and decision documentation; copies of award letters and recipients' responses; the disbursement checks or electronic funds transfer confirmations; and each institution's credit acknowledgment.

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 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