Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45201

Date:
08/11/2026

Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202645025
Release Date: 11/6/26

LEGEND
X = Program
Y = Area
Z = Number Range
B = Number Range
C = Program
D = Component
y dollars = Amount

UIL: 4945.04-04

Dear Applicant:

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 and a charitable initiative grant program for the

students accepted into X.

X
The mission of the X is to serve as a youth leadership incubator, by training, mentoring and supporting youth leadership. You do not intend to offer educational loans.

The purpose of your scholarship program is to provide grants to students participating in the X for study at educational institutes. The grants must be used for tuition and fees required for enrollment and attendance at a college, university, or trade school. Any student who is currently enrolled in high school, college, university, or trade school located in Y is eligible to apply for X.

You will determine how the scholarship program will be publicized each year. Methods may include advertising the program on your website or the websites of various colleges, universities, and trade schools. You will ensure that its program is sufficiently publicized to eligible students.

Although there's no limit to the number of students who are eligible to apply to the X, generally it is between Z students, annually. You estimate that you will select B students from the application pool to participate in the program but may expand such participation in future years. You estimate that you will award y dollars per student for the scholarship program. Award amounts may vary from year to year based on the amount of funds available for the scholarships for that year.

You select recipients based on an evaluation of their skills and values as compared to the primary purposes of the X and demonstrated financial need. There are no minimum GPA requirements.

To maintain the scholarship grant, the participating student must continue to qualify for X and actively participate in the training/mentoring component of the X.

You will supervise the grants by issuing the grant funds directly to the educational institution/trade school or disburse directly to the student. If the funds are disbursed directly to the student, the student is required to provide documentation that the funds were used to pay qualifying expenses. You will discontinue making grants to any student that does not meet the criteria/used the funds for anything other than their intended purposes. You may request repayment of granted funds and will discontinue future grants to such students. To qualify for renewal of a grant, students must re-apply for grants annually.

No individuals who are related to your officers/directors, substantial contributors, or family members of such individuals are eligible to receive grant scholarships under the program.

D of the X
The purpose of the above program is to fund charitable activities conducted by students that instill the values of C. You seek to identify students who are committed to the C and who will engage with other students and promote/instill values of the program. Students who are chosen for X are eligible to receive funds under D. You believe that the D will enhance the leadership skills of the students.

The number of recipients varies from year to year, but you estimate that the pool of eligible recipients will be Z and B will be selected annually. The students will be evaluated based on their skills and values as compared to primary purposes of X. You will award grant amount of y dollars per student per annually. The students selected under this program will assist the organization in planning, evaluating, developing and conducting projects that further the purposes of X.

Your program director will supervise the grants made under this program by meetings with the recipients and requesting periodic reports from the recipients. Upon completion of the project or program, the student will provide a written report to the program director summarizing how the funds were used and the results of the project. You will discontinue making grants to any student that does not meet the criteria or use the funds for anything other than their intended purposes. You may request repayment of granted funds and will discontinue future grants to such students.

No individuals who are related to the organization, its offices, directors, substantial contributors, or family members of such individuals are eligible to receive the grant.

The program director of the X will act as the selection committee for both programs. If deemed helpful or necessary, the program director will solicit input from your officers, directors and returning student fellows.

**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).
- The foundation awards the grants 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); or
  - 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; or
  - 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.

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