IRS

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

Date:
06/11/2025
Taxpayer ID number:

Person to contact:

Release Number: 202536043
Release Date: 9/5/2025

LEGEND
Program D = Program
Program E = Program
F = Number Range
G = Number
t dollars = dollar amount
u dollars = dollar amount
v dollars = dollar amount
x dollars = dollar amount
y dollars = dollar amount
z 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) 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 under IRC Section 4945(g)(1) called Program D, and a grant program under IRC Section 4945(g)(3) called Program E.

Details for Scholarships under IRC Section 4945(g)(1)
You will provide scholarship grants to qualified individuals for tuition and related expenses who attend an educational institution described in IRC Section 170(b)(1)(A)(ii). Scholarships under IRC Section 4945(g)(1) can be generally used for:

- Tuition and fees required for enrollment or attendance of the student at a qualifying institution;
- Fees, books, supplies, and equipment required for courses of instruction at such an educational institution; and
- Room and board.

Moreover, no part of the scholarship may be used as payment for teaching, research, or other services by the scholarship recipient as a condition for receiving the scholarship.

Program D is to empower low-income students by alleviating the financial barriers that often prevent them from pursing their academic goals.

The purposes for Program D:
- Increase access to education for many talented students facing significant challenges that hinder their ability to enroll in and complete higher education.
- Bridge the gap and ensure that financial constraints do not limit educational opportunities.
- Encourage academic achievement by providing financial support.
- Motivate students to strive for academic excellence.
- Reward hard work and dedication, encouraging students to pursue their studies with passion and commitment.

Program D is available to high school seniors and current college students, enrolled or planning to attend an accredited institution, who are pursuing various fields, including, but not limited to, liberal arts, sciences, technology, engineering, and business.

To be eligible to apply for Program D, the student must:
- Demonstrate financial need from a low-income household which is below the median household income per state/per country.
- Have a minimum cumulative GPA 2.5 (High school, Undergraduate, and Graduate programs).

Specific criteria you use to select recipients:
- Financial Need: Income statements, Free Application for Federal Student Aid or other financial aid assistance, and details about expenses related to education.
- Personal Essay and Recommendations: A personal essay outlining educational goals, challenges faced, and how the scholarship will help achieve aspirations. One or more letters of recommendation from teachers, mentors, or community members on character and achievements.
- A complete application form along with all required documents. Incomplete applications may be disqualified.

You will award F scholarships based on available funds and qualified students. The scholarships will be capped at t dollars per year. In addition, the amount of tuition an individual may receive cannot exceed the amount due per year. For example, if tuition for a four-year college is u dollars (v dollars per year), the amount received may not exceed v dollars for the first year.

You will publicize Program D via:
• Website and Online presence
• Social Media Campaigns such as Facebook and Instagram
• Partnerships with Educational Institutions such as local high schools, community colleges, and universities
• Newsletters of success stories and testimonials from past experiences and benefits

Your Selection Committee members are composed of individuals with diverse expertise and backgrounds.

Committee requirements:
• Teachers, professors, or academic advisors who have experience in education and understand the challenges faced by low-income students.
• Community members who are actively involved in the community, nonprofit organizations, or local initiatives.
• Financial professionals who understand the financial processes, can assess students' financial needs effectively, and make informed decisions regarding the financial criteria.

To be eligible to have a scholarship renewed under Program D, a recipient must maintain a minimum GPA of 2.5, demonstrate satisfactory academic progress, be enrolled in an accredited institution at least on a part-time basis, and may need to demonstrate continued financial need. Your committee will notify all students at the end of the academic year about the renewal process with deadlines and required documentation. Your committee will email or send an official letter with details about the renewed award amount, any changes to Program D terms, and the next steps for disbursement.

Details for Grants under IRC Section 4945(g)(3)
You will award grants under IRC Section 4945(g)(3) to individuals to achieve a specific objective, improve or enhance their capacity, skills, or talents. These grants will typically be used for purposes that relate to your mission and may be used for capacity-building programs to teach them critical leadership skills, management and governance skills, technical skills, and/or to provide assistance in performing research or for medical training. In addition, grants under IRC Section 4945(g)(3) may be awarded to pay application fees, living expenses and travel expenditures for individuals from foreign countries who are chosen to attend a college or university that require relocation.

Program E is for students, professionals, artists, or researchers, to travel, study, or for similar purposes, to enhance a particular skill or talent in areas of interest by covering the fees of exploratory programs that allow learning through experiences, such as:
• Scientific programs
• Educational summer programs
• Short term study-abroad
• Other similar exploratory programs that will enhance the students capacities, skills, or talents

You will check the OFAC List of Specially Designated Nationals and Blocked Persons for names of individuals and entities with whom you are dealing to determine if they're included on the list. You will comply with all statutes, executive orders, and regulations that restrict or prohibit persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by OFAC. You will acquire from OFAC the appropriate license and registration where necessary.

To be eligible to apply for Program E, the student must:
• Have an educational background for certain programs which may have prerequisite educational qualifications

or be targeted at a particular field of study
• Demonstrate the proposed project or study is relevant

Specific criteria you use to select an applicant:
• Applicants may need to be residents of a specific country, state, or region.
• Currently enrolled in an educational institution.
• Applicants need to be in a field of study and demonstrate relevant work experience or a professional background, work experience, or relevant projects.
• Income statements, tax returns, or financial aid documentation.
• Need to provide a detailed budget outlining.
• How the funds will be used and justifying each expense.
• Provide a detailed timeline that outlines the key milestones and activities, realistic and achievable.
• Demonstrate motivation, commitment, innovation, creative/originality for pursuing the project by submitting a narrative or statement.
• Presentation that is well-organized, free of errors, and professionally presented.
• Letters of recommendation, transcript, or portfolios.

Your Selection Committee members are composed of individuals with diverse expertise and backgrounds.

Committee requirements:
• Teachers, professors, or academic advisors who have experience in education and understand the challenges faced by low-income students.
• Community members who are actively involved in the community, nonprofit organizations, or local initiatives.
• Financial professionals who understand the financial processes and can assess students' financial needs effectively and make informed decisions regarding the financial criteria.

You will award G grants based on availability to support applicants that vary from each funding cycle and are influenced by your financial resources and demand from applicants.

Program E will fund the following:
• Travel Expenses
• Room and Board
• Materials and Supplies
• Project/Program Costs
• Conference and Workshops
• Networking and Professional Development
• Research Expenses

Your grants through Program E will vary depending on the facts and circumstances. Generally, you will award grants within the following ranges:
• Small range from x dollars to fund short courses, workshops, or partial travel expenses.
• Medium range from y dollars to fund more comprehensive educational programs, internships, or significant travel experiences.
• Large range from z dollars to fund substantial projects, research initiatives, or degrees that require significant investment.

You will publicize Program E via:
• Website and Online presence
• Social Media Campaigns such as Facebook and Instagram

- Partnerships with Educational Institutions such as local high schools, community colleges, and universities
- Newsletters of success stories and testimonials from past experiences and benefits

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.

IRC Section 4945(g)(1) Requirements:

- 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).

IRC Section 4945(g)(3) Requirements:

- 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).
  - 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.
  - 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.

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,

Steven A Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Letter 437, Letter 4792