



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

Date:  
06/25/2025  
Taxpayer ID number:

Person to contact:

Release Number: 202538044  
Release Date: 9/19/2025

**LEGEND**

B = Scholarship  
C = Scholarship  
D = Scholarship  
E = City, State  
F = City, State  
G = School  
H = Number Range  
J = Number Range  
m dollars = dollar range  
n dollars = dollar range

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 to provide funding for tuition and other

related educational expenses for individuals pursuing post high school education, trade or technical school training, or other specialized education or training at educational organizations described in IRC Section 170(b)(1)(A)(ii), including vocational training schools, colleges, universities, and other qualifying educational institutions.

Your scholarship program will consist of three memorial scholarships, the B, the C, and the D. These three scholarships are named after, and will serve as remembrances for, persons who have profoundly impacted both your organization and the lives of your board members. The scholarships will be awarded to recipients in geographic areas relevant to the lives of those for whom the scholarships are memorialized, as well as meaningful to your board members. Specific geographic areas will include E, and F, and you may award scholarships to students attending high schools in E or attending G in F.

You anticipate several hundred individuals will be eligible to apply for your scholarship program annually; initially, you expect between H students will be eligible to apply per scholarship. Although your program includes three memorial scholarships, the same scholarship details, selection criteria, and award parameters outlined below will apply to all three, except the pool of eligible candidates will be based upon geographic localities most relevant to the lives of those memorialized and meaningful to your board members.

You will award between J scholarships each year, although this number may increase over time and will be determined at the discretion of your board as to the number of scholarships that can be properly selected and managed and will be consistent with funding available in your annual budget.

Your scholarships will be worth between m per year or between n per semester, which may increase over time at the discretion of your board or award committee and to match any successive increases in the costs of attendance at educational institutions. Funds may be used to cover such expenses as tuition, fees, books, and other appropriate and related educational expenses reasonably necessary to enable your scholarship recipients to pursue their studies. No part of your scholarships may be used as payment for teaching, research, or other services by the scholarship recipient as a condition for receiving the scholarship.

You anticipate awarding scholarships in the fall of 2025 or spring of 2026. You will publicize your scholarship program on your website, which will include information on the application process, the number of scholarships to be awarded, and the specific criteria for each scholarship. You will also work with school administrators at G and high schools located in E to further publicize your scholarship to eligible students.

The eligibility criteria for your scholarship program includes high school seniors or college-age students living in geographic locations relevant to the memorial scholarships and meaningful to your board. Your selection committee will use the following objective and nondiscriminatory selection criteria to determine who will receive your scholarships:

- Prior minimum academic performance
- Results on tests designed to measure ability
- Aptitude and course of study
- Extracurricular activities
- Recommendations from instructors or other individuals not related to the recipients
- Financial need and household income
- Conclusions drawn from written correspondence
- Personal interviews on motivation and character of the recipients

There will be no restrictions or limitations in your selection process based upon race, sex, national origin,

religious belief, or employment status, and your directors, officers, and managers, as well as their respective families, are ineligible to receive your scholarships.

Initially, your board will serve as your selection committee. However, in the future, you will establish a committee to review applications and make recommendations for scholarship recipients to your board, who will make the final selection decisions. Members of the selection committee will be appointed and replaced by your board, and, in the future, your selection committee members will not also serve on your board of directors simultaneously.

Your scholarships will be awarded for an average period necessary to complete postsecondary degrees or vocational programs, e.g., four years for a bachelor's degree. Therefore, your scholarships are not renewable past these average periods. However, to receive funding for the entire period, recipients must meet continued eligibility requirements by submitting a required progress report, verified by their educational institutions, at the end of each semester or other similar timeframe.

Your board may determine that your scholarships will be paid directly to educational institutions for, and on behalf of, your recipients. No funds given to these institutions may be used to pay administrative or other routine business costs and must be utilized solely and directly for educational purposes only.

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