



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

Date:  
09/17/2025  
Taxpayer ID number:

Person to contact:  
Name:  
ID number:  
Telephone:

Release Number: 202550035  
Release Date: 12/12/2025

LEGEND

B = Name  
C = Name  
D = Area  
E = University  
F = Name  
G = Name  
H = State  
J = Name  
q dollars = Range  
R = Number  
S = Range  
T = Number  
U = Range  
V = Range  
W = Range  
X = Number

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 scholarship program to provide financial assistance to graduating high school seniors and non-traditional students to further their education at an accredited institution described in Section 170(b)(1)(A)(ii) of the Code. You are seeking advance approval of the scholarship program in furtherance of your charitable mission to raise funds and award scholarships for the students residing in B service area. All your scholarships will be for the direct support to the recipients with no repayment obligation. Scholarship awards will range from q dollars and may be adjusted to account for inflation. You publicize your scholarship program by posting on your and B's website and social media. Additionally, you distribute and display fliers and visuals at B branch locations. You reach out to high school students through in-person meetings and targeted emails to B members, High school counselors, and community partners who work with the youth.

In order to be eligible for a scholarship, the applicants must demonstrate that they have been admitted to and intend to enroll in an educational institution. Applicants must also be members of B. Your scholarship program awards approximately R different scholarships in five categories to graduating seniors and non-traditional students. You assume about U youth members are likely graduating per year and eligible to apply for a scholarship. You receive S applications annually from T members of B. The exact number of scholarship awards may vary from year to year depending on factors such as funds available and number of applications received.

Under your scholarship program you offer five different scholarships that include additional requirements:

1. C Memorial Scholarship  
Applicants must be graduating high school seniors with minimum 3.0 GPA and live in the D. The applicants should plan to attend E. Children of C are part of the selection committee for the scholarship selection. Since the children of C are part of the selection committee, relatives of the C are not eligible for the scholarship. You will select V recipients for the award, annually.
2. F Memorial Scholarship  
Applicants must be graduating seniors from a high school with a minimum of 3.0 GPA, live within the B service area, and plan to pursue a degree in business/accounting. You will select V recipients for the award, annually.
3. G Scholarship  
Applicants must be graduating high school seniors with a minimum 3.0 GPA, live within the B service area, and plan to pursue a degree in business, finance, or related studies. You intend to select V recipients for the scholarship annually.
4. J Memorial Scholarship  
Applicants must be graduating high school seniors with a minimum 3.0 GPA, planning to attend an accredited college or university in H, and who intend to pursue a degree in accounting, economics, business, or related field. You intend to select V recipients for the scholarship annually.
5. B Scholarship  
Applicants must be graduating high school seniors with a minimum 3.0 GPA, from a high school within the B service area. Non-traditional students can apply if they live in the B service area, graduated from high school 5 years prior, and are either enrolling at an educational institution for the first time or returning after a pause in education. You will select W recipients for this scholarship annually. You intend to reserve X of these scholarships to first generation students and X for Career Technical

Education (CTE) students.

You select recipients based on academic achievement, extracurricular activities, leadership, community involvement, financial need, and application responses. The applications will be assessed through review of applicants' responses to essay questions, transcripts, and resumes. Finalists are asked to respond to additional questions via video submission.

Your selection committee is comprised of the executive director and employees of B. The selection committee may include community members or foundation board members, as designated by the board or the executive director. Any person considered to be a disqualified person is not eligible for the awards. To ensure all scholarship recipients are selected on an objective and nondiscriminatory basis, selection committee members must disclose familial relationships with applicants and recuse themselves from reviewing their application. Your executive director is empowered to remove the conflicted selection committee member, if needed.

The scholarships will be for one academic year and be comprised of one-time payment, paid directly to the educational organization and are non-renewable. If the funds were diverted from their intended purpose or if a student does not attend the educational institution that the funds were disbursed, you will request return of the funds from the educational institution. Recipients of the awards are not required to perform any services after receiving the award.

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.

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