



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: 202550038

Release Date: 12/12/2025

LEGEND

B = School

C = School

D = School

K = Range

j dollars = Dollars

m dollars = Dollars

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 for students to attend an accredited community college, four-year university, or trade school. Your scholarship program will be available to students at B, C, and D, which primarily serve low-income students. You will make applications available to students at these schools. You anticipate awarding J scholarships of k dollars annually. You may increase the number of scholarships and the dollar amount of the scholarships in future years. The scholarships can be renewed over a four-year period for a total scholarship of m dollars.

To be eligible for a scholarship, the student must be currently enrolled in high school at B, C, or D, and have a cumulative GPA of 3.25 or better. Applicants will be required to submit an application along with:

- A personal statement, including their background, family history, short-term and long-term goals, and aspirations for furthering their education,
- Two essays,
- School transcripts,
- Evidence of admittance to a college, university, or trade school,
- Evidence of financial need, which may include FAFSA information
- References or letters of support.

You will have a selection committee for each of the three schools, B, C, and D. Each selection committee will have a combination of staff members from the applicable school and your directors or officers. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors, will not be eligible for awards.

Selected recipients will meet with one of your representatives designated to review their progress in high school before enrolling in their college, university, or trade school. Priority will be given to applicants who express commitment to help future scholarship recipients with mentorship regarding college attendance and career pursuits after graduation.

Your scholarship recipients will be required to submit a written record after the completion of each semester establishing that the student has continued to be enrolled and has maintained the required GPA, or, in the case of a trade program, the equivalent criteria. Scholarships can be renewed up to four years if these criteria are maintained.

You will make all payments directly to the applicable educational institution on behalf of the student. If your student fails to maintain the required GPA or equivalent metric the student will receive an initial warning and be subject to a probation period. A continuing failure to meet the required GPA or equivalent metric may result in termination of the scholarship for future periods.

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

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Catalog Number 58263T

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