



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

Date:
10/20/2025
Taxpayer ID number:

Person to contact:

Release Number: 202603004
Release Date: 1/16/2026

LEGEND

D = Number Range

y 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). 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 grant program for U.S. citizens enrolled in or planning to enroll in courses at an accredited college or university. You will offer one-time, non-renewable grants made under IRC Section 4945(g)(1). The purpose of your program is to help reduce financial barriers to higher education by covering tuition, required fees, and books.

You anticipate awarding D grants per year within a range of y dollars, contingent upon available resources and qualified applicants. You will publicize the grant through outreach to local schools and community groups.

To be eligible for your grant program, applicants must:

- Be a U.S. citizen,
- Be currently enrolled or accepted for enrollment at an accredited U.S. college or university in a degree-granting undergraduate or graduate program,
- Have a minimum unweighted GPA of 3.75 on a 4.0 scale, and
- Submit a personal essay outlining educational goals, personal motivation, and anticipated impact in their community or field.

Financial need is not a requirement for eligibility, but it may be considered during the selection process. Applicants are encouraged (but not required) to submit a FAFSA or a brief statement describing their financial circumstances.

Recipients are selected using a scoring rubric across five categories shown below. Each category will be scored between D points. Your process ensures objective, consistent, and non-discriminatory evaluation of all candidates.

- Academic Achievement
- Personal Essay
- Community Involvement or Leadership
- Financial Need
- Overall Impression

You will supervise your grants by requiring proof of enrollment from each recipient prior to disbursement. Grants are paid directly to the recipient's college or university with instructions that funds must be applied toward tuition, fees, or required educational expenses, and only for students in good academic standing. You do not collect grade transcripts or post-award reports because the awards are non-renewable. If a student fails to enroll or is no longer eligible, the grant is canceled, and no funds are disbursed. If funds are returned by the institution, you retain the funds.

Your selection committee is appointed by your board and currently includes the two board members and their two daughters. All members were selected because they share your mission and values and are committed to administering the grant process with integrity and fairness. Although the committee is family-based, it follows a structured, non-discriminatory scoring rubric and does not consider applicants with any personal or financial connection. All decisions are documented to ensure transparency and compliance. You are also considering adding an independent committee member in the future to further enhance objectivity.

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,

Steven A Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Letter 437, Letter 4792