



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

Date:
10/24/2025
Taxpayer ID number:

Person to contact:

Release Number: 202603011
Release Date: 1/16/2026

LEGEND

C = school
D = number
E = event
F = organization
n 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 scholarship program under IRC Section 4945(g)(1). The purpose of your program is to provide annual scholarships to full- and part-time students enrolled at C. The scholarships will be used towards tuition and other qualifying academic expenses. C is an educational institution which is an exempt instrumentality within the meaning of IRC Section 501(c)(3).

You will award D scholarships of approximately n dollars annually. Your scholarships are not renewable, and you will not award educational loans.

You will publicize your scholarships at C through a digital advertising campaign to spread awareness of your scholarship availability and reach a large pool of eligible candidates.

To be eligible for consideration for one of your scholarships, applicants must be full- or part-time students enrolled for courses at C and submit a complete application with supporting documentation that includes a 1,000-word essay describing their academic performance and financial need regarding attendance at C. Applicants must also submit one at least one academic or professional reference. Supporting documentation, including academic transcripts, must confirm the applicant's status of enrollment and grade point average.

Your director will assemble and approve your scholarship selection committee annually from your members. Relatives of the committee members are not eligible for scholarships under your program.

Selection criteria for your scholarships will include demonstrated academic achievement through supporting documentation showing a minimum cumulative GPA of 2.5 on a 4.0 scale, as well as other examples of academic achievement as described in the written essay. You will also consider financial need as demonstrated by the written essay requirement.

In addition, applicants who are selected for a scholarship must agree to attend and present at the E, an event presented by the F. Additional details on the E, including date and time, will be provided to your scholarship recipients as these details become available to you.

Your scholarships will be made directly to your recipients as one-time lump-sum payments based on the criteria requirements of your scholarship program. If you discover that one of your recipients has falsified any statements and/or documentation to satisfy any part of your scholarship criteria and/or requirements, you will seek to recover those scholarship funds.

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 scholarship 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 scholarships 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 scholarship 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