



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

Date:
11/04/2025
Taxpayer ID number:

Person to contact:

Release Number: 202605002
Release Date: 1/30/2026

LEGEND

B = Grant

C = Grant

N = Number

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 scholarship grant program. You have previously received advance approval from the Service for your scholarship grant program named the B; under the B you have made qualifying distributions under IRC Section 4945(g)(1). You are now expanding your scholarship grant program and offer the C, and are now requesting advance approval of that scholarship grant program.

The C increases the number of individuals eligible to apply for scholarships to include those who have been diagnosed with a particular disease or serious health condition and/or their immediate family members (defined as their children, siblings, caregivers and significant others within the same household), and who are studying

not only at the undergraduate or graduate level at an accredited academic institution but also at a trade school, vocational school or other similar educational institution.

You award approximately N scholarship grants annually in the amount of y dollars each to individuals for courses at schools or accepted for credit at schools recognized under IRC Sections 509(a)(1) and 170(b)(1)(A)(ii). The number and dollar amount awarded may change over time depending on the availability of funding and the ability to identify suitable candidates, as well as, in the case of the amount, the increase, over time, in tuition or comparable fees and related costs at academic institutions, trade schools, vocational schools or other educational institutions. In the future, your C may also pay for other education-related expenses, such as room and board or travel expenses. The C is not renewable. However, a recipient of an C may reapply each year for another scholarship grant as long as he or she continues to meet the eligibility criteria. You publicize your scholarship program on your website, through your social media accounts, and by distributing informational materials at conferences and other events. You anticipate that millions of individuals will be eligible to apply annually.

To be eligible to receive a C, the applicant must meet the following criteria:

1. Are or will be a part-time or full-time student at the undergraduate or graduate level at an accredited academic institution and in good academic standing, or taking courses at a trade school, vocational school or other educational institution;
2. Be an individual who has been diagnosed with a specific disease or serious health condition, or an immediate family member (defined as children, siblings, caregivers or significant others within the same household) of any such individual; and
3. Be a legal resident of the United States or Canada. You will comply with all United States statutes, executive orders and regulations that restrict or prohibit U.S. persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by the Office of Foreign Assets Control (OFAC).

Recipients of the C will be selected based on an evaluation of the following elements of an application:

1. Essay;
2. Community involvement;
3. Academic achievements and transcript(s); and
4. Personal recommendation from a teacher, members of the community or medical adviser who is familiar with the applicant's academic performance and community involvement.

Academic achievement accounts for 20% of the applicant's score and is determined solely based on grade point average (GPA). Specifically, the higher the applicant's GPA, the more points that the applicant receives in the scoring rubric. There is no minimum GPA required, and standardized test scores are not considered in choosing recipients of scholarships. An additional 20% of the applicant's score is based on community involvement, which includes both extracurricular activities and volunteer work.

You have engaged an independent third-party administrator to administer the C Program. In such capacity, the independent third-party administrator will be responsible for evaluating applications for the C using the criteria

specified above and recommending applications to you for approval.

Each scholarship grant will be paid, either by you or through the independent third-party administrator, to the applicable academic institution, trade school, vocational school or other educational institution on behalf of the recipient, and you will require the academic institution, trade school, vocational school or other educational institution to agree to use the C funds to defray the recipient's tuition or comparable fees, as well any other course-related fees, books, supplies and equipment, only if the recipient is actually enrolled at the academic institution, trade school, vocational school or other educational institution and in good academic or comparable standing at such academic institution, trade school, vocational school or other educational institution.

If you pay any portion of an scholarship grant directly to a recipient you will require the recipient to provide a transcript or other comparable record from the accredited academic institution, trade school, vocational school or other educational institution showing the courses taken and grades received during the academic or course period(s) funded by the scholarship grant and verified by the applicable academic institution, trade school, vocational school or other educational institution, together with receipts or other documentation substantiating the expenses paid using the 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 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, Letter 4792