



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

Date:
11/12/2025
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202606010
Release Date: 2/6/2026

LEGEND

L = City, State
M = City, State
N = number
p dollars = dollar amount
q dollars = dollar amount
R = number
s 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) and advance approval of your educational grant procedures under IRC Section 4945(g)(3).

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.

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 provide in IRC Section 117(b)).

We also approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of IRC Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates you will operate a grantmaking program to further your mission of creating socioeconomic mobility for people through quality educational opportunities. Previously, you made grants to high schools and

colleges in L and M for educational funding purposes, and now you are establishing your own grantmaking program for awarding scholarships and educational grants to help students receive the best education possible.

You will award scholarships described under IRC Section 4945(g)(1) to provide funds for students to attend traditional two-year or four-year institutions for higher education. You will also award individual grants described under IRC Section 4945(g)(1) or IRC Section 4945(g)(3) for students to pursue vocational training and study or internships to prepare them for the workforce.

Scholarships under IRC Section 4945(g)(1)

You will award approximately N scholarships annually, worth between p dollars to q dollars, to high school students attending one of your 20 partner high schools, located in L or M, who intend to use the funds to pursue post-secondary education at one of over _____ of your accredited partner colleges or universities located in the same geographic areas. Your partner colleges and universities are traditional two- and four-year institutions of higher learning described under IRC Sections 509(a)(1) and 170(b)(1)(A)(ii).

The specific number and amount of your scholarships awarded annually will vary based on your available funding. In addition, the number of scholarships awarded is expected to increase over time. The exact amount of each award will also depend upon the student's financial need or other relevant factors and may increase over time due to inflation.

To be eligible for one of your scholarships, applicants must:

- Graduate from one of your partner high schools with a minimum 3.0 cumulative GPA
- Attend and live on campus at one of over ten of your partner colleges or universities
- Pursue one of the more than ten majors and/or courses of study listed on your website
- Apply for financial aid and show objective financial need, such as qualifying for a federal Pell Grant

You will announce your scholarships on your website or through educational institutions with which you have had a prior relationship or to which you previously provided educational grants. These approved partner high schools and college/universities are listed on your website. Your announcements will specify how applications must be submitted for your scholarships.

You will also accept scholarship nominations from your partner educational institutions, governments and governmental agencies or instrumentalities, and/or persons with relevant professional experience. You will take steps to ensure that persons engaged in the selection process are not in a position to derive any private benefit, directly or indirectly, if certain potential grantees are selected over others. Selection of grantees shall be made on an objective and nondiscriminatory basis.

All nominations or applications must be submitted in writing and will be subject to your review. Nominations and applications that meet appropriate standards of quality and are relevant to your program interests will be eligible for selection.

Your scholarships will be used to address typical gaps in financial aid as demonstrated by each grantee; therefore, your awards will be based on financial need. However, you will also consider prior academic performance and recommendations from a potential grantee's instructors and any others who have knowledge of their capabilities.

Your scholarships are intended for educational costs, including tuition, books, room and board, or other educational materials. Awards will be made as two- or four-year scholarships subject to the recipient

maintaining the conditions of the grant. You may extend the award beyond four years if circumstances warrant it. Recipients are expected to:

- maintain a minimum cumulative grade point average of 2.0,
- remain in good academic and disciplinary standing, and
- attend an annual meeting with your trustees.

Selection of grantees will be based on the listed criteria and weighed on an objective and nondiscriminatory basis. You have two executive directors; one located in L, and one located in M. Each executive director will be responsible for reviewing and approving applications in their respective locale but can delegate this power. Your president also has the authority to approve scholarships for students who may not meet your published scholarship criteria, such as a student pursuing a career-oriented major which is not among the list of your more than ten approved majors or courses of study on your website.

The terms and conditions of each grant will be contained in a letter sent to and countersigned by each recipient of such grant. Terms and conditions will include the specific purpose of the grant, its duration, the total amount of the grant, a budget, and requirements for narrative and financial reports, including due dates for such reports.

Generally, scholarships will be paid directly to the recipient's school or institution of higher education, under an arrangement whereby the school may only apply those funds for enrolled students who are in good standing and who meet your other specified criteria. Your scholarship recipients must be candidates for degrees at educational institutions described in IRC Sections 509(a)(1) and 170(b)(1)(A)(ii). You will stop payment on any scholarship if these criteria are not met, and you will seek the return of funds if circumstances warrant.

You will arrange to receive a report of the grantee's courses taken and grades received in each academic period. Such a report will be obtained at least once a year. Upon completion of a grantee's study at an educational institution, you will obtain a final report.

Grants under IRC Sections 4945(g)(1) and 4945(g)(3)

You will also award approximately R grants annually worth between p dollars and s dollars to students pursuing certification and training programs in the vocational arts to enable them to successfully enter the workforce as skilled labor. The specific number and amount of your vocational grants awarded annually will vary based on your available funding. The number of your vocational grants awarded annually is also expected to increase over time.

You anticipate most of your vocational grants will be awarded to students for study at educational institutions which qualify for exemption under IRC Sections 509(a)(1) and 170(b)(1)(A)(ii); therefore, you are requesting approval for your vocational grants under IRC Section 4945(g)(1). However, to ensure students otherwise qualifying for your vocational grants may learn or improve a skill through vocational training opportunities, even if such training is not provided by an educational institution which would qualify for exemption as a school under Sections 509(a)(1) and 170(b)(1)(A)(ii), you are also requesting approval for your vocational grants under IRC Section 4945(g)(3).

Your eligibility criteria will include enrollment in certain specified vocational programs where there is a demand for skilled labor, such as radiation technology, dental hygiene, or aircraft mechanics. Other eligibility criteria will include applicants demonstrating objective financial need and, to the extent applicable, the ability to maintain minimum academic or similar requirements.

Your application process is described on your website. All applications must be submitted in a timely manner and will be subject to your review. You will also accept nominations for grant recipients from your partner educational institutions, governments and governmental agencies or instrumentalities, and/or persons with relevant professional experience. You will take steps to ensure that persons engaged in the selection process are not in a position to derive any private benefit, directly or indirectly, if you select certain potential grantees.

Applications and nominations that meet appropriate standards of quality and are relevant to your program interests will be eligible for selection. Selection of grantees shall be made on an objective and nondiscriminatory basis. Your directors will select the vocational grant recipients using the selection criteria set by your board. Your president also has the authority to approve scholarships for students who may not meet your published scholarship criteria, such as a student pursuing a career-oriented major which is not among the list of your more than ten approved majors or courses of study on your website.

Other than the exempt status of the institutions under the Internal Revenue Code, there are no material differences in your vocational grant program if awarded under IRC Sections 4945(g)(1) or 4945(g)(3). Therefore, you are requesting approval under both sections only to ensure qualified candidates, who otherwise meet all grant criteria, may obtain vocational training and certification at institutions which provide opportunities for your grantees to enter the workforce as skilled labor, but may not be described under IRC Sections 509(a)(1) and 170(b)(1)(A)(ii). You do not have separate eligibility or selection criteria, nor do you have separate processes for accepting applications or nominations. You also will not have two distinct and separate candidate pools from which your directors and/or president will consider awarding vocational grants.

The terms and conditions of each grant will be contained in a letter sent to and countersigned by each recipient of such grant. Terms and conditions will include the specific purpose of the grant, its duration, the total amount of the grant, a budget, and requirements for narrative and financial reports, including due dates for such reports.

You intend for this grant to support the recipients throughout their vocational training, which may mean certain individuals will receive funding for multiple years. Any multi-year funding will be subject to maintaining the conditions of the grant, including maintaining their enrollment in good standing within their programs and the school, institution, or other similar entity. You will stop payment on any grant if these criteria are not met, and you will seek the return of funds if circumstances warrant.

You will fund these grants directly to the colleges or institutions attended by the students. You will arrange to receive a brief report on the progress of recipients from their educational institutions or similar entities at least once a year. Such a report must be approved by the faculty member supervising the grantee or by another appropriate official at the institution or entity. Upon completion of the undertaking for which the grant was made, the grantee will be required to submit a final report describing the grantee's accomplishments with respect to the grant and accounting for the funds received under such grant.

Records and Oversight

For all educational funding you provide under your program described above, you will maintain appropriate records and monitor funds to ensure they are used only for their intended educational purpose or pursuit. Any misuse of funds of which you become aware will call for cessation of future funding and reimbursement of the inappropriately diverted funds. Your trustees and/or their relatives are not eligible for any of your educational grants.

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.

IRC Section 4945(g)(1) Requirements:

- 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).

IRC Section 4945(g)(3) Requirements:

- 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).
 - A prize or award subject to the provisions of IRC Section 74(b), if the recipient of the prize or award is selected from the general public.
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulation Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

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 grants 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

cc: