

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201433026**  
Release Date: 8/15/2014  
Date: May 20, 2014

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

B= Name of Scholarship Program  
C= Medical Centers  
D= State where Medical Centers located  
x= Total dollar amount of scholarships  
y= Dollar amount of each scholarship  
z= number of scholarships given

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**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 Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, 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 Code section 117(b)).

**Description of your request**

Your letter indicates you will operate a scholarship program called B.

Your purpose is to engage in the promotion of health and your activities are to continually assess and improve health delivery in rural communities and to promote health in rural communities, including granting scholarships to individuals who intend to be engaged in health related work in rural communities.

The purpose of B is to provide scholarships annually to students attending an accredited medical program leading to a degree of medical doctor or doctor of osteopathy and who also demonstrate a desire to practice medicine in D's rural areas.

There is an annual deadline to apply for the scholarships. The scholarship application package must contain:

- Application form.
- Personal essay.
- Transcript or proof of enrollment in an accredited medical program leading to a degree of medical doctor or doctor of osteopathy.

The scholarships are advertised by you in newspaper advertisements in communities where C provide health care services. You also post notices on your website and the websites of C to notify potential applicants of the scholarship availability.

The criteria for screening applicants and selecting scholarship recipients will include:

- Demonstration of permanent residency within the service area of a C clinic.
- Past employment or association with a C clinic in the area and positive reviews of applicant from employment or association.
- Financial need.
- Proof of enrollment in an accredited medical program leading to a degree of medical doctor or doctor of osteopathy.
- Excellent recommendations from references provided in the application.
- Other accomplishments outside of medical school indicating leadership, character, and motivation.
- Demonstration of intent or desire to practice in D in rural communities after completion of the applicant's medical degree.

Selections will be made on a nondiscriminatory basis by a Scholarship Selection Committee who will be appointed by the Board of Directors for three year renewable terms. The Committee will be comprised of at least four persons to review and select the scholarship recipients. The Selection Committee may also employ outside consultants to perform additional screening before the Committee makes its final selection. The Board, officers, your employees, C's employees, any person involved in the screening or

selection process, and family members of any of the above will be excluded from scholarship eligibility.

You have determined that x funds will be available on an annual basis for scholarships. The maximum number of scholarships given is z and the maximum amount is y. The Selection Committee notifies each recipient when selected. The scholarships are granted on an annual basis and any past recipient may reapply for another scholarship in a subsequent year as long as the past recipient follows the application procedures. As part of the application process, the scholarship recipient must agree to remain enrolled full time and in good standing at the educational institution, and provide an official transcript that indicates grades for all courses taken during the prior year.

The scholarships are awarded either directly to the school the recipient attends or to the recipient. If payment is made to the school, the school will be required to provide verification that it qualifies under 509(a)(1) and 170(b)(1)(A)(ii) and to agree, in writing, to apply the scholarship funds to the recipient's tuition, fees, room and board, and to pay any other funds to the recipient only for periods when the recipient is enrolled as a full time student and remains in good standing at the educational institution. If payment is made to the recipient, you will take measures to ensure the scholarship funds are used properly.

If you receive reports or any other information that indicates the funds are not being used for the purposes of the scholarship, you will initiate an investigation and any unpaid amounts to the recipient will be withheld. You will take all reasonable and appropriate steps to recover the diverted funds and take necessary precautions to prevent future diversions.

#### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). 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 of the following requirements of Code 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 Code section 117(a).
- The grant is to be used for study at an educational organization described in Code 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 Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot 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 Code 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'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, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations