

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201714032**

Release Date: 4/7/2017

Date: **January 10, 2017**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = Scholarship Program

C = State

d dollars = Amount

e dollars = Amount

UIL: 4945.04-04

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.

B is an endowment fund administered by you for the express purpose of scholarship support for individuals interested in pursuing a career in health care. The intent of the scholarship program is to invest in the education of those students that may look to southeast C for employment in health care following the completion of their studies.

B is available to students in 10 counties in the state of C. Awards vary in size from d dollars to e dollars, as funds are available. Awards may be used for educational expenses, including tuition, books and other fees, and are paid directly to the student's college or university. Awards are given without regard to race, color, creed, religion, gender, disability or national origin.

Information regarding B is posted on your website and published in local newspapers within a 10 county area in C. Notifications are also made to human resource offices in hospitals within a 10 county area in C and to college financial aid offices.

The specific criteria you use to determine eligibility for the scholarship program includes the following:

1. Applicant must reside in one of ten specific counties in C.
2. Applicant must be enrolled in a state or nationally accredited program of study that focuses on health care.
3. Applicant must be a high school graduate who is enrolling in at least the second year of their course of study. The award is contingent upon proof of registration/enrollment.
4. Applicant must have a cumulative grade point average of 2.75 or higher on a 4.00+ scale.
5. Applicant must apply each year with preference given to previous award recipients; a limit of four awards per student; an award in one year does not automatically result in an award the following year.
6. Applicant must be focused on one of the eligible "fields of study" within the health care industry.
7. Applicant must have no relationship with anyone on your board or employees.

Your Selection Committee consists of one board member and 4-6 additional members. The committee consists of individuals who are in a health-related field, health education, education or human resource professionals. If a member resigns, a new member is recruited that has a similar skill set or knowledge base. The greatest expertise that is desired is:

- Extensive knowledge of education and specifically health.
- A current and working knowledge of health professions that are needed in southeast C.

The Scholarship Selection Committee will give preference to applicants that are/have:

- An award recipient from the previous year;
- Expressed a desire to seek employment in southeast C upon completion of studies; or,
- Pursuing educational studies in a health career identified as a workforce shortage area for southeast C.

Historically, the committee has chosen to award scholarships to every eligible applicant at differing levels. The number of applications is usually between 20 and 30 annually.

First, the committee takes into consideration the total amount available for award. A board designated fund was established for this scholarship. Five percent of the balance at year end is established as the amount to be paid out each year. Then, eligible applications are ranked by their total score. The points scale (1-5) is awarded to each application based on fields of study, type of accreditation, previous scholarships and grade point average. Essays, letter of reference, extra-curricular activities, and financial needs are also requested through the application process. The committee reviews the applications online. They review a blind copy (no individual names) of the application. Experience of the committee has shown that natural "groups" of like points often emerge within this ranked list. The committee then makes a determination (by group tier cut-off) what amounts to award to each tier. Smaller scholarships are generally made to health occupations that do not require significant amounts of post-secondary education. Larger scholarships are generally given to occupations that require many years of college and whose students incur significant financial debt.

Eligible applicants must meet criteria to apply including: residing in an appropriate county, a cumulative GPA of 2.75 or greater (with transcript verification), be enrolled in their second year of college in an eligible health field of study, and provide a proof of enrollment from an accredited college or university. Students are eligible to receive an annual award up to four (4) times (need not be concurrent).

Scholarships are only awarded when an official transcript is verified and proof of enrollment is obtained from an accredited college or university. At the time of application, grade point average is verified for each applicant. In order for the applicant to be eligible for a scholarship renewal, the applicant must provide updated transcripts to verify that the proper grade point average has been maintained. The award is mailed directly to the school that has agreed to use the grant for the selected grantee that is enrolled and in good standing. If the student withdraws from the college or university and money is eligible for refund, it is returned by the school to you and is added back into the fund.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) 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 represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

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.

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,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements