

**Internal Revenue Service**

P.O. Box 2508

Cincinnati, OH 45201

**Department of the Treasury**

Number: **201737014**

Release Date: 9/15/2017

**Date: June 22, 2017**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

B = Scholarship Program

C = State

D = Financial Institution

g = Number

h = Number

x dollars = Dollar amount

y dollars = Dollar amount

z dollars = Dollar amount

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**

You will operate a scholarship program called B.

The purpose of B is to provide scholarships to students to defray the cost of tuition at medical school or for premedical course studies. The trust will provide scholarships to students taking a premedical or medical course of study in an accredited college or university and who plan to practice medicine as a career.

Currently, scholarships are available for g and h year medical students in good academic standing who need financial assistance for completion of their education.

Applications are disseminated to certain medical schools in C. The schools post the application on their website. Your application requests the applicant to provide personal information, educational background, financial need information, and character information, including references, extracurricular activities, and community service. You also request statements on why they should be granted the scholarship and intended educational and career goals.

The criteria used to determine who is eligible for your program are academic performance, financial need, community involvement, and extracurricular activities.

Trustees determine the number of grants that will be made annually. You determine the amount of each grant to meet the private foundation distribution requirement. You anticipate this will be around x dollars annually, with scholarships ranging from y dollars to z dollars.

Scholarship recipients must be in good standing with the school to be eligible for the scholarship. The scholarship is not renewable; all recipients must reapply each year. Scholarships are paid directly to the medical schools for application to the student's account.

Co-trustees of the trust, one a corporate fiduciary and one an individual, serve as the selection committee members. Your trust agreement, as modified by court order, provides procedures for appointing successor trustees, who would then serve as the selection committee. Relatives of the selection committee, officers, directors, or substantial contributors are not eligible for your scholarships. D employees are also not eligible for your scholarship program.

You represent that you will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded. You will investigate diversions of funds from their intended purposes, and you will take all reasonable and appropriate steps to recover diverted funds, 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 diversions from occurring.

You will maintain case histories showing recipients of your scholarships, fellowships, including names, addresses, purposes of awards, amount of each grant, manner of selection, and relationship (if any) to officers, trustees, or donors of funds.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether 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**

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,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements