

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201836010**

Release Date: 9/7/2018

Date: **June 13, 2018**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

F = Name

G = Number

H = Numbers

x dollars = Amounts

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 provided in Code Section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program. The purpose of the program is to award scholarships for post-secondary education related to health care to residents of F to attend one of G local educational institutions which have health care majors. Scholarships are to be used for tuition, books, fees, or equipment needed for course work to complete a degree or certification program in a healthcare field. Furthermore, you will annually award an average of H non-renewable scholarships for amounts in the range of

x dollars. Your intent is for these awards to be used to reduce student obligations or loans rather than reducing scholarships or grants given by the educational institutions.

To be eligible to apply for a scholarship, applicants must be residents of F and have a cumulative grade point average of at least 3.0 or better as well as be enrolled in a degree or certificate program in the health care field.

To apply for the scholarships, applicants must complete your application form which can be obtained from the G educational institutions in F offering healthcare majors. The applications must be submitted by a specific date along with two letters of recommendation, a short essay and an official transcript from the current or most recent school to the scholarship office of their educational institution.

You will annually appoint a selection committee for each local educational institution after you receive basic information from volunteers about their interests and qualifications.

Each selection committee at the local educational institutions will evaluate and rank the applications from their respective institution using objective and nondiscriminatory criteria including (but are not limited to) prior academic performance, the college major, the school attended or attending, the city of residence, the performance on a test designed to measure ability and aptitude for college work, recommendations, financial need as well as conclusions that the selection committees might draw from a personal interview or written materials as to the individual's motivation, character, ability, and potential. The selection committees will then forward the top one or two applications to you for the final review and approval.

You will pay scholarships directly to the educational institution with a letter advising the school that the funds may be used for any educational expenses included in the cost of attending said institution. Recipients must be enrolled at least three fourths of the time in the term following the award to receive it.

For all of your programs, you represent 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, (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 diversions from occurring.

You represent that you will: (1) maintain all records relating to individual grants including information obtained to evaluate grantees, (2) identify whether a grantee is a disqualified person, (3) establish the amount and purposes 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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements