

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201946015**

Release Date: 11/15/2019

Date: August 21, 2019

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

X = Hospital  
y 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. The scholarships will provide grants to individuals related to healthcare and healthcare education consistent with your charitable purposes.

The scholarship will be y dollars per year. The scholarships are renewable for up to four years, so long as the recipient stays in school and is progressing toward a degree. The scholarships are provided to students seeking post-secondary education in a healthcare field.

To be eligible to receive scholarship funds, the applicant or nominee must be (1) a primary or secondary school student or (2) an undergraduate or graduate student at a college or university who is pursuing studies or conducting research to meet the requirements for an academic or professional degree. The scholarship funds awarded must be used to pay qualified expenses at an educational institution. You reserve the right to impose additional, reasonable restrictions and/or requirements upon the awarding of scholarship funds and the administration of such awards.

Your scholarship will cover qualified expenses incurred in attending an educational institution, including:

- Tuition and fees for enrollment and attendance
- Course-related expenses -fees, books, supplies, and equipment required of all students for courses of instruction, and
- Room and board, travel, research, clerical assistance.

To find eligible individuals to whom scholarship funds can be awarded, you will generally target the area served by X in an effort to further the charitable purpose of fostering the availability of healthcare and healthcare education and awareness in that area. You may from time to time contact high school, college or graduate school administrators, as well as administrators or managers of hospitals, clinics, assisted living facilities, and other relevant community institutions. You may ask such contacts to advertise the availability of your scholarship program and to request that these contacts nominate potential candidates or encourage potential awardees to submit applications for scholarship aid.

You may also, from time to time, host or sponsor healthcare awareness events, at which the availability of scholarship funds may be advertised and take other steps to advertise the availability of its scholarship funds.

Criteria for scholarship grants may include, but are not limited to, the following:

- Prior academic performance
- Performance on any test taken designed to measure ability and aptitude for the work related to the applicant or nominee's intended studies
- Recommendations from instructors, counselors, administrators, or employers, and any others who have knowledge of the applicant's or nominee's capabilities
- Biographical information such as career history, academic history, charitable work, experience, and financial need, and
- The applicant's or nominee's motivation, character, talents, ability, or potential.

An applicant for scholarship funds may be required to submit such forms and supporting materials as you deem appropriate to demonstrate fulfillment of the selection criteria. Such forms and supporting materials will be submitted on a schedule specified by you.

Award of scholarship funds shall be based on the selection criteria and on objective, non-discriminatory considerations. However, preference may be given to an applicant or nominee because of the applicant's membership in a class or category that has historically had less educational opportunity or has historically been underrepresented in

the health care field, so long as such preference does not violate the Internal Revenue Code, other law, or public policy.

The selection committee currently consists of three members of your governing board. Members may be changed annually. Your board members must disclose any personal knowledge of and relationship with any applicant under consideration and refrain from participation in the award process in a circumstance where he or she would derive, directly or indirectly, a private benefit if the applicant was selected over others. Scholarship funds may not be awarded to any member of your board of directors, substantial contributor, employee, or any other disqualified person.

Unless otherwise specified, you will pay the scholarship funds directly to the educational institution for the use of the scholarship recipient. The recipient must provide you with proof of enrollment before any funds will be disbursed and the educational institution must use the scholarship funds to pay or defray the scholarship recipient's qualified expenses at such educational institution or incurred in connection with the recipient's studies or coursework at the educational institution.

If the scholarship is renewable, in order to obtain additional disbursements, the recipient must provide proof (such as a transcript) that previously awarded funds were used as agreed to complete relevant course work or to pay or defray other qualified expenses, as well as proof of continued enrollment at an educational institution where qualified expenses will be incurred.

If scholarship funds are paid directly to the recipient or to anyone other than the educational institution, you will require a report, at least annually, on the uses of the scholarship funds. This report must include a summary of the use of the funds, the courses taken and the grades received in each academic period. This report must be supported by an official transcript or otherwise verified by the educational institution. Provision of such a report will be a term of the funding agreement and failure to provide a report or failure to use the scholarship funds for qualified expenses, will result in action to recover the funds.

You represent that you will: (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 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 further 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.

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