

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

**Department of the Treasury**

**Date: March 12, 2020**

Number: **202023009**  
Release Date: 6/05/2020

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

B = Name  
C = Number  
D = Number  
E = Number  
F = Number

UIL: 4945.04-04

x dollars= Amount

Dear :

You asked for advance approval of your educational grant/loan procedures under Internal Revenue Code Section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

**Our determination**

We approved your procedures for awarding educational loans. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants/loans meet the requirements of Code Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

**Description of your request**

Your letter indicates that you will operate an educational loan program. Your purpose is to improve the health of the community and promote health education as well as support the local community hospital.

The purpose of your program is to assist qualified applicants with the cost involved in obtaining a college education to pursue a career in healthcare, in exchange for agreeing to serve as a medical provider in B upon graduation. Your program will be structured as a loan program for up to D years at C%. The educational loan will be forgiven at a rate of E% per year as long as the recipient practices medicine in B.

You will promote your program through announcements in local publications and on social media as well as through notifying the B Public School Superintendent to communicate the availability of the program as well as application procedures to each high school guidance counselor. You will also contact the various medical schools in the general geographic region of B to promote your program.

To be eligible to apply for the program, the applicant must:

- Reside, or have previously resided in B;
- Maintain an un-weighted cumulative grade point average (GPA) of 3.0 or better;
- Commit to return to B and work in the medical field.

To apply for your program, qualified applicants must submit your application with all required attachments including:

- A thorough explanation on why they are applying for your program including the field of knowledge being pursued, reasons for the decision, and what they hope to do with the degree/knowledge;
- Educational transcripts;
- An up-to-date resume including education level, work experience, community service experience and functions, and goals/objectives.

Concerning the application due date, you do not currently operate on any specific grant cycle but applicants must submit their application package for the program typically at least one month before your next scheduled board meeting.

All applications will be reviewed and evaluated by your selection committee consisting of your Board and representatives from the local high schools. You have no time limits to respond to applicants, but you meet quarterly and will base funding decisions on resources available, close alignment of the applicant's background and goals to your mission, and the number of qualified applicants during that funding cycle.

You intend to award no more than F educational loans per year and will determine the amount based on the actual costs which the recipient is obligated to provide you each term. The amount will not exceed x dollars in the aggregate.

All proceeds will be paid directly to the qualified educational institution that the recipient is attending. The qualified educational institution is responsible for assuring the minimum requirements are met and will submit a copy of the recipient's transcript for each semester.

You will evaluate any violation of the program on a case-by-case basis. You will work with the university and the recipient to remedy the violation(s) if possible. In the event the violation(s) cannot be remedied you will seek re-payment from the applicant. In addition, examples of instances in which the loan would not be forgiven include if the recipient:

- Pursues another field;
- Quits the program;
- Does not finish their obligation to practice medicine; or
- Does anything that would terminate the intent of the program.

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 diversions from occurring.

You represent that you will maintain the following: (1) all records relating to individual grants including information to evaluate grantees, (2) identify whether 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 Section 117(a) and is to be used for study at an educational organization described in Section 170(b)(1)(A)(ii); or
  - A prize or award subject to the provisions of Section 74(b), if the recipient of the prize or award is selected from the general public; or
  - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.

- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

Long-term, low-interest loans that private foundations make for educational purposes can be considered grants under Code Section 4945(g)(3) and Revenue Ruling 77-434, 1977 2 C.B. 420.

In addition, Revenue Ruling 77-44, 1977-1 C.B. 355, indicates that a scholarship grant to a grantee who makes a moral commitment to perform service in a particular area after graduation is a grant to further an exempt purpose under section 4945(g)(3) of the Code, rather than Section 4945(g)(1), and that such grant is not excludable from income under Section 117.

**Other conditions that apply to this determination**

- This determination covers only the grant/loan program described above. This approval will apply to succeeding grant/loan 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 precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in 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 make grants/loans 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 must 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/loan distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements