



Department of the Treasury  
Internal Revenue Service  
Tax Exempt and Government Entities  
P.O. Box 2508  
Cincinnati, OH 45201

Date:  
05/31/2023  
Taxpayer ID number:  
  
Person to contact:

Number: **202334019**  
Release Date: 8/25/2023

UIL: 4945.04-04

**LEGEND**

U = Location  
V = number of grants  
x dollars =  
y dollars =

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1). You requested approval of your scholarship program to fund the education of certain qualifying students.

This approval is required because IRC Section 4945 provides for the imposition of taxes on each taxable expenditure of a private foundation. IRC Section 4945(d)(3) provides that the term "taxable expenditure" includes any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or similar purposes by the individual, unless the grant satisfies the advance approval requirement of IRC Section 4945(g).

**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 IRC Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Additionally, 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 IRC Section 117(b)).

**Description of your request**

Your letter indicates you will operate a scholarship program. The purpose of your program is to enable individuals from U to complete education and training in the healthcare/medical field of their choice at the accredited vocational/technical school, college, university or other school of higher education of their choice. You plan to award V scholarships ranging from x dollars to y dollars. The Scholarship program is publicized through contact with high school, vocational/technical school, college, and graduate school administrators as well as managers of other relevant community institutions. You may also place advertisements in newspapers and online platforms targeting the eligible individuals.

To be eligible to apply for a scholarship, the individual must be a:

- Vocational/technical school or secondary school student,
- Undergraduate or graduate student at a college or university, or
- Student who received a scholarship for study at an educational institution that provides an educational program acceptable for full credit toward a bachelor's or higher degree, or offers a training program to prepare students for gainful employment in a recognized healthcare/medical occupation and is authorized under federal or state law to provide such a program and is accredited by a nationally recognized accreditation agency.

The selection committee will be chosen by your board and designated staff and must adhere to your policies. The selection committee members must disclose personal knowledge of and relationships with any individual 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 any individual is selected over others. The selection committee will evaluate applications based on the following criteria:

- Prior academic performance,
- Performance on tests designed to measure ability and aptitude for educational work,
- Recommendations from instructors of such applicant and any others who have knowledge of the applicant's capabilities.
- Additional biographical information regarding the applicant's career, academic and other relevant experiences, financial need,
- The selection committee's conclusions as to the applicant's motivation, character, ability, or potential, and
- Applicant must be a resident of U.

Your practice will be to pay the scholarships directly to the school to which the individual will be attending, when possible. The recipients are required to submit a full and complete report on the progress of the scholarship grant at least yearly. The report must include a summary of the use of the funds awarded, the recipients courses taken and grades received in each academic period. The report must also be verified by the educational institution.

Funding is limited to the number of years needed to complete the training or academic program for which the grant is initially awarded. Recipients may request renewal, but there is no guarantee of renewal.

You represent that you will complete the following:

- Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,
- Investigate diversion of funds from their intended purposes,
- Take all reasonable and appropriate steps to recover the diverted funds and 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 diversion from occurring.

You also represent that you will:

- Maintain all records relating to individual grants including information obtained to evaluate grantees,
- Identify 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**

IRC Section 4945 imposes excise taxes on the taxable expenditures of private foundations. 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 the following requirements of IRC 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 IRC Section 117(a).
- The grant is to be used for study at an educational organization described in IRC 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 IRS at:

Internal Revenue Service  
Exempt Organizations Determinations  
TE/GE Stop 31A Team 105  
P.O. Box 12192  
Covington, KY 41012-0192

- You can't 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 IRC 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'll make this determination letter available for public inspection after deleting personally identifiable information, as required by IRC Section 6110. We've enclosed Letter 437, Notice of Intention to Disclose - Rulings, and a copy of the letter that shows our proposed deletions.

- If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us.
- If you agree with our deletions, you don't need to take any further action.

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, you can contact the person shown at the top of this letter.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements

Enclosures:  
Letter 437