



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

Cincinnati, OH 45201

Date:
04/01/2024
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202426018
Release Date: 6/28/2024

LEGEND

B = Name
C = Name
D = Numbers
E = Numbers
F = Numbers
G = Nationality
x dollars = Amounts
y percent = Number

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1) and advance approval of your educational grant procedures under IRC Section 4945(g)(3).

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.

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 IRC Section 117(b)).

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

Description of your request

Your letter indicates you will operate a scholarship program under IRC Section 4945(g)(1) and a grant program

under IRC Section 4945(g)(3). Your scholarship and grant programs will further your charitable purposes, which include supporting the fields of health care and education.

4945(g)(1) program

The purpose of your scholarship program under IRC Section 4945(g)(1) is to provide financial support to students for tuition at medical schools. Recipients must be currently enrolled medical school students and you will initially focus on medical students at B and C. Scholarships will be awarded on an objective and non-discriminatory basis, primarily based on merit. All students in academic disciplines and areas of focus of interest to you are eligible for support. In addition, given that one of your areas of focus is on supporting G heritage, some of these scholarships may restrict eligibility to recipients who are of G heritage. However, most scholarships will be open to all.

You will publicize your scholarship program via publicly available websites, e-mail notifications sent to universities and field specific mailing lists, social media posts, redistribution of the emails and posts by other organizations, and other communications to students and university staff.

The scholarship applications will be widely available, and they will generally be accepted through an open call process which will have a set deadline in which they must be submitted. In some instances, you may need to reach out to students through your professional and academic networks to determine if they are interested in applying for support. For these applications, you expect to determine eligibility and selection of applicants on a rolling basis.

Generally, you expect there will be approximately D applicants annually. Of those, you expect to award approximately E scholarships in the range of x dollars.

Recipients will be chosen by a selection committee consisting of your board of directors, who may be assisted by the review and recommendations of external experts. Your directors, officers, or other disqualified persons are not eligible to receive awards. You will review each applicant's information to ensure there are not any family relationships.

To select qualified recipients, your selection committee will use selection criteria including prior academic performance (including GPA/class standing), subject area knowledge and achievements, and personal recommendations. You do not require a fixed minimum GPA. However, you expect applicants to be in the top y percent of their classes.

If there are more qualified applicants than you can support, you may then consider the financial need of the applicant. For example, if there are two equally able candidates, the applicant with demonstrated financial need will be favored since the other could potentially attend a program on his/her own. Your Board of Directors makes final selection of, and approves, all scholarship recipients.

Scholarships will be paid directly to the educational institution and are renewable, provided the student remains in good standing with the institution.

4945(g)(3) program

The purpose of your grant program under IRC Section 4945(g)(3) is to provide grants for travel, study, or other similar purpose, to enhance a particular skill of the individual grantee or to produce a specific product. Specifically, you will provide financial support for research projects to include support for travel, equipment, and other research expenses. For example, you may provide funding to postgraduate, and early career researchers to undertake specific research that culminates in a published paper that is presented at a research

conference. The support would include a stipend for equipment and materials needed to undertake the research and travel to the conference.

Initially, your grant program will focus on medical students and faculty at B and C to support research projects. In addition, given that one of your areas of focus is on supporting G heritage, some of these grants may restrict eligibility to recipients who are of G heritage. However, most grants will be open to all.

You will publicize your grant program through websites, e-mail notifications, and other communications. Generally, you expect approximately F applicants annually. Of those, you expect to award approximately E grants in the range of x dollars.

The application process for grants will generally be subject to an open call process. However, an open call process may not always be feasible. You may learn of promising individuals working in one of your focus areas through your professional and grantee networks or via direct contact from an interested applicant. When these opportunities come to your attention, you will evaluate the applicant on a rolling basis, based on criteria such as prior academic performance, quality and merit of the research proposal, subject area knowledge, achievements, and personal recommendations.

Recipients will generally be chosen by a selection committee consisting of your board of directors, who may be assisted by the review and recommendations of external experts. Your directors, officers, or other disqualified persons are not eligible to receive awards. You will review each applicant's information to ensure there are not any family relationships.

You expect that grant recipients will be selected based on prior academic performance, subject area knowledge and achievement, personal recommendations, and/or financial need as well as on the applicant's proposal that describes their research project and a budget detailing the expenses for which the applicant is requesting support. You will consider the quality and merit of the research proposal that will be supported when determining whether to award a grant. All grants will be awarded on an objective and non-discriminatory basis. Your Board of Directors makes the final selection of, and approves, all grant recipients.

You will require an annual report providing a narrative on how the funds were expended and what the recipient accomplished with the grant. Grants are renewable. However, you expect to withhold additional funding if you are not satisfied with the annual reports.

Oversight and Record Keeping Procedures for Scholarships and Grants

For both your scholarship and grant programs you will require the recipient to provide documentation that the funds were expended for the purposes of the specific award. If you learn that any part of a scholarship/grant is not being used to further the purposes of the award, you will withhold additional payments from the recipient and will take all reasonable and appropriate steps to recover the funds and/or ensure restoration of the diverted funds to the purposes of the scholarship/grant.

You will maintain complete records in connection with all awards. These records will include all information obtained by you to evaluate the qualifications of potential recipients, the identification of recipients (such as name, e-mail, and home address), the purpose and amount of each award, the terms of payment of each award and any additional information you secured as part of the administrative process.

You will check the OFAC List of Specially Designated Nationals and Blocked Persons for names of individuals and entities with whom you are dealing to determine if they are included on the list. You will comply with all statutes, executive orders, and regulations that restrict or prohibit persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of

economic sanctions administered by OFAC. If necessary, you will acquire from OFAC the appropriate license and registration where necessary.

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.

IRC Section 4945(g)(1) Requirements:

- 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).

IRC Section 4945(g)(3) Requirements:

- 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).
 - A prize or award subject to the provisions of IRC Section 74(b), if the recipient of the prize or award is selected from the general public.
 - 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 Regulation 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.

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.

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

cc: