



Department of the Treasury  
Internal Revenue Service  
Tax Exempt and Government Entities

Date:  
09/09/2024  
Taxpayer ID number:

Person to contact:

Release Number: 202449022  
Release Date: 12/6/2024

LEGEND

X = Name  
Y = Names  
M= Numbers  
p dollars = Amount  
q dollars = Amount

UIL: 4945.04-04

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 for individuals from the X enrolling in health sciences professional schools for the purpose of increasing the number of healthcare professionals practicing in the X. Your mission is to promote wellness and health equity in under-resourced communities primarily in the X with a focus on improving access to pharmacy and other healthcare services.

You will award approximately M grants annually to individuals for courses at schools recognized under IRC Sections 509(a)(1) and 170(b)(1)(A)(ii). Grants awarded will range between p dollars and q dollars per year. You publicize your scholarship program through flyers, and applications which are distributed to local community organizations, health professional associations and academic institutions. Individuals who receive grants from you are required to practice their healthcare profession in the X upon graduation and licensure.

To be eligible for an award, students must be:

- a) From the X who will attend college to study health sciences
- b) Intending to return to the X to practice their healthcare profession
- c) Current or former residents of Y counties
- d) Enrolled in or accepted to an accreditation council for pharmacy education / accredited Doctor of Pharmacy program in a school of college of pharmacy
- e) In good academic standing

Applicants are generally required to:

- Submit a Free Application for Federal Student Aid (FAFSA) to the academic institution
- Submit Letters of Recommendation
- Provide transcripts
- Provide prior evidence of experience, working or volunteering on health/health equity initiatives in the X
- Demonstrate the desire to practice their profession in the X

Recipients will be chosen by a selection committee which will include your Executive Director, members of your Board of Directors, community members and representatives from academic institutions selected at the discretion of your Board of Directors. No members of the selection committee or their relatives will be eligible to apply for your scholarships.

Members of the Selection Committee will consider the following:

- a) Financial need based on the information in the Free Application for Federal Student Aid (FAFSA). Family income will be compared against the cost of tuition, fees and living expenses at the applicant's academic institution.
- b) Prior academic performance in that Letters of recommendation will be considered
- c) Good academic standing in that this will be verified
- d) Prior experience working or volunteering on health/health equity initiatives in the X
- e) Demonstrated enthusiasm for serving the marginalized communities in the X
- f) Empathy for patient population
- g) The demonstrated desire and enthusiasm to practice their profession in the X

Funds will be disbursed directly to the academic institutions to be used for tuition and other academic fees. You will require grade transcripts and/or a letter from Student Affairs confirming the student's academic standing at the end of each academic term. If the recipient no longer meets the eligibility criteria or the funds are misused in any way, funding will be discontinued for that recipient.

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The grants will be renewable based on predetermined criteria, including maintenance of good academic standing which will be verified.

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.

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