

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

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: December 20, 2018

LEGEND

UIL: 4945.04-04

X= Name
Y= Specialists
U= Region
V= Region
Z= Specialty

b dollars= Amount
c= Number
d= Number
e= Number
f dollars= Amount

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 provided in Code Section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program called X.

Your purpose is to improve the quality of life through investments in healthcare by providing support to the development of primary care providers in your state.

The purpose of X is to support the growth and development of Y by awarding two scholarships in the amount of b dollars. Recipients must be enrolled in their first semester of a Z program who have demonstrated:

- The potential for development into a highly capable clinical professional;
- Concern with the total welfare of the society of which he/she is an active participant;
- Intention to practice in primary care in U or V upon completion of school and training.

You will promote X to c schools with Z programs who will each be invited to nominate one candidate for a scholarship. To be eligible to be nominated and receive a scholarship, a candidate must:

- Reside in one of d counties in U or reside in one of e counties in V;
- Show a verifiable connection to the community such as having graduated from a high school or college there or having a familial relationship with a legal resident;
- Intend to practice primary care medicine after the completion of school. (Other connections will be considered on a case by case basis but should be cleared by your executive director prior to submission of the nomination.);
- Demonstrate academic performance that satisfies the minimum requirements for the particular Z program for which they have applied;
- Show financial need;
- Demonstrate a capacity for leadership, communication, and humanity;
- Have at least three years of clinical practice experience before entering the Z program.

Furthermore, candidates may only be nominated by one school.

Each of the eligible schools will complete a nomination form for their candidate which will be e-mailed to each of the eligible schools. They will submit the form along with the needed letters of recommendation, the candidate's application for the program and other required attachments by the nomination deadline. In addition, the candidate must complete specific pages and sign the document. The nominating official must also sign the form.

An independent selection committee consisting of persons who are leaders in their chosen profession and civic life will review the application packets and will interview each nominee. The committee will then rank the nominees based on how they have satisfied the eligibility criteria. The highest-ranking nominee will be offered the first scholarship and the next highest-ranking nominee will be offered the second scholarship. In addition, the school whose nominee is awarded a scholarship must accept the scholarship by a predetermined deadline. If the acceptance is not submitted by the deadline, then the scholarship will go to the next highest-ranking nominee. Moreover, the schools whose nominees are not selected will be awarded a one-time stipend for f dollars to be applied

to their nominee's tuition. If the nominee fails to follow through with enrollment, the school gets to keep the stipend.

You will pay half of the scholarship to the recipient's school at the beginning of the recipient's second semester on their behalf. One fourth of the scholarship will be paid before the beginning of the second year, and the other one fourth of the scholarship will be paid the first business day the following calendar year. The scholarship is not transferable to another school. If the scholarship recipient does not continue enrollment at the nominating school, future scholarship payments will be discontinued.

You will retain complete records that will include all information you obtained to evaluate the qualifications of the nominees. They will also contain the identification of the nominees (including any relationship of any nominee to you, or to an officer or director of yours); the purpose and amount of each grant; the terms of payment of each grant; and, any additional information obtained by you as part of the application.

If you determine that all or any part of a scholarship is not being used to further the purposes of the grant, you will take one or more of the following actions as required and appropriate: (1) withhold payments to the extent possible during the period of investigation; (2) take steps to recover the grant funds and/or ensure restoration of diverted funds to the purposes of the grant; (3) withhold further payments until the diverted funds are in fact recovered or restored; (4) obtain assurances from the scholarship recipient and/or the school that future diversions will not occur; and (5) require the scholarship recipient and/or the school to take extraordinary precautions to prevent future diversions.

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.

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