



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

Date:  
03/13/2025  
Taxpayer ID number:

Person to contact:  
Name:  
ID number:  
Telephone:

Release Number: 202523012  
Release Date: 6/6/2025

#### LEGEND

B = Number

C = Number

M = Name

y 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 courses at an accredited medical school. The purpose of this program is to provide financial assistance to candidate(s) with financial need for medical school, who in the opinion of the selection committee will serve as a competent physician after graduation.

You plan to award between B scholarships within a range of y dollars per year. You will publicize the program on a website you will set up for this specific purpose and post on a bulletin board at M.

Your scholarship is open to anyone who meets the following criteria and you will accept up to C applicants each year:

- Proof that they have or are in the process of fulfilling the academic requirements to be a candidate for medical school, including providing transcripts showing grades and test scores necessary to show the academic proficiency to be a viable candidate for medical school
- Narrative regarding other activities, etc., such as work experience, volunteer work, etc. that the candidate has been involved in that will make him/her a better candidate for medical school
- Proof that the candidate is not related party to member of the selection committee or their relatives
- Financial statement showing current assets, liabilities, annual income, and any other resources that may be available to meet the financial needs of attending medical school
- Participate in a personal interview, discussing the above topics, how this scholarship will assist the candidate in meeting his/her goal of attending a medical school, and the candidate's reasons for becoming a physician
- Attend an accredited medical school in the United States

Recipients will be selected based on the following:

- Financial need
- Academic proficiency
- Determination of character/competency

The factors you will use to determine merit include:

- GPA and test scores- must be sufficient to meet the minimum standards required to be admitted to a medical school.
- Extracurriculars, volunteer work, and community involvement

To determine financial need, you will review financial statements to determine how much the candidate will have available to meet the medical school financial requirements. The amount of the award will depend on the level of financial shortfall projected for the candidate.

Awards must be used to cover the costs of attending medical school, including tuition, fees and course related books, supplies and equipment.

The selection committee consists of two of your directors who will select the recipients each year. The selection committee and their relatives are not eligible to apply.

Award recipients are required to provide proof of enrollment at a medical school and that the award was applied towards the cost of attending that school. Members of the selection committee will follow up with each recipient to ensure compliance with this requirement i.e. requiring proof of enrollment and receipts for the payment of related costs.

Awards will be made on a one-time basis. The award will be paid directly to the recipient, conditioned on the proper use of those funds. You will require an accounting and report card from the recipient to document that the funds were used for qualified scholarship expenditures. The recipient will be required to return any funds not used.

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