DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

200340026

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: JUL 0 8 2003

Contact Person:

Identification Number:

SIN: 4945.00-00

Telephone Number:

Employer Identification Number:

Legend:
B=
C=

Dear Sir or Madam:

This is in reference to a letter from your attorneys dated April 24, 2003, requesting advance approval of your grant-making procedures under section 4945(g) of the Internal Revenue Code.

You are exempt under section 501(c)(3) of the Code and have been classified as a private foundation under section 509(a).

In furtherance of your exempt purposes, you propose to form the B program in order to encourage highly qualified nursing school students to work as nurses in the greater C area nonprofit hospitals after graduation. Through the B grant program, you hope to increase the number of nurses employed in these nonprofit hospitals so that the quality of healthcare will be improved in the greater C area.

You intend to offer up to twenty grants, not to exceed $2,500 per year per nurse, to recently graduated registered nurses. The grant recipients will be selected during their final year in school, mainly on the basis of academic standing, financial need, personal history, cost of program of study, and the recommendation of school officials. So long as the recipient nurses work full-time for a nonprofit hospital in the greater C area, they will be eligible to receive up to $2,500 each year to repay to them some of their costs of attending nursing school. These grants will continue for five years or such lesser time as the recipient stops working full-time for a nonprofit hospital in the greater C area.

The individual amount of the grant to be distributed each year will depend upon the

qualifications of additional eligible candidates graduating from nursing schools and the availability of funds in B. The contributors to B plan on a total contribution of $200,000 to initiate the program. The nonprofit hospitals at which the nurses work must agree that the grant payments will not diminish the compensation the nurses receive from the employer nonprofit hospital.

The availability of grants will be made known to selected nursing schools throughout the country. B will also seek recommendations from nursing school officials. The selection of those nurses who will receive these grants will be made by a committee composed of five people, including a nursing administrator, a representative of B, a professional foundation consultant and two volunteers that are not related to any officer, director or employee of or contributor to you. Only the professional nursing administrator and the consultant will be paid. The remaining committee members will work on a pro bono basis.

Participation in the B program will not be available to any student who is related, even remotely, to any member of the selection committee or to any officer, director, employee of, or contributor to you.

The B program will require the grantee to report in writing to a committee at least once a year on the grantee's nursing and non-nursing activities, and submit the grantee's income tax return to establish to the satisfaction of the committee that the grantee is working full-time for a nonprofit hospital in the greater C area.

After receiving the yearly reports, the committee will meet to review the reports and to investigate possible misuse of grant funds, and withhold further payment if the committee determines that the grantee has not been working full-time for a nonprofit hospital in the greater C area. The committee representative or representatives will also verify such employment with the grantee's employer nonprofit hospital. Distributions will stop if the grantee is not meeting these specific requirements.

The B program will retain all information secured to evaluate the qualification of potential grantees, identification of grantees, specification of the amount of each grant and the follow-up information which the committee obtains in investigating the grantees' entitlement to the payments.

Section 4945 of the Code provides for the imposition of taxes on each taxable expenditure of a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of section 4945(g).

Section 4945(g)(3) of the Code provides, in part, that the provisions of section 4945(d)(3) will not apply to an individual grant awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if the purpose of the grant is to achieve a specific objective, produce a report of other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or similar capacity, skill, or talent of the grantee.

Revenue Ruling 77-44, 1977-1 C.B. 355, concerned a private foundation that made grants to college students who planned to teach in public schools of a particular state upon graduation. The grant was thus designed to attract qualified new teachers to the state's public schools, and thereby improve the quality of education. The ruling held the grants were made "for a specific objective" as described in section 4945(g)(3) of the Code. To the extent they served to improve or enhance the recipients' teaching skills, they were also described in section 4945(g)(3) for that reason.

Your procedures for selecting grant recipients in the B program, as described above, satisfy the requirements of section 4945(g)(3) and the accompanying regulations. Like the study grants in Rev. Rul. 77-44, these grants are for a "specific objective," under section 4945(g)(3) of the Code. The grants are specifically intended to advance the B program's charitable purpose of increasing the number of registered nurses working for nonprofit hospitals in the greater C area, in order to help improve the care provided by the nonprofit hospitals in the greater C area.

Based on the information submitted, and assuming your program will be conducted as proposed, with a view to providing objectivity and nondiscrimination in the awarding of scholarship grants, we rule that your procedures for the awarding of grants in the B program comply with the requirements of section 4945(g) of the Code. Expenditures made in accordance with these procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3) of the Code.

This ruling is conditioned on the understanding that there will be no material change in the facts upon which is based. It is further conditioned on the premise that no grants will awarded to your organization's creators, officers, directors, trustees, or members of the selection committee, or for a purpose that is inconsistent with the purposes described in section 170(c)(2)(B) of the Code.

The approval of your grant-making procedures is a one time approval of your standards and procedures for selecting recipients of grants that meet the requirements of section 4945(g)(3) of the Code. Thus, approval will apply to succeeding grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

We are informing the TE/GE office of this action. Please keep a copy of this ruling with your organization's permanent records.

This ruling is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Gerald V. Sack

Gerald V. Sack
Manager, Exempt Organizations
Technical Group 4