

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201704023**

Release Date: 1/27/2017

Date: October 31, 2016

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

P = State

q dollars = Amount

r dollars = Amount

Dear _____ :

You asked for advance approval of changes in, and expansion of your scholarship program under Internal Revenue Code section 4945(g)(1). This approval is required because you are a private foundation that is exempt from federal income tax.

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 provide in Code section 117(b)).

Description of your request

Your letter indicates you are seeking advance approval to change and expand your scholarship program. In addition to awarding scholarships to students enrolled at select military high schools, you will provide college tuition scholarships for college-bound seniors involved in Junior ROTC programs who are enrolled in public schools in P.

You are changing the criteria for selecting scholarship recipients. In addition to students who are the children of fallen heroes and students who are the children of veterans with 100% service-related disability, you will include students whose parent or guardian is a veteran with significant service-related disability (minimum 80%), as well as students with

a parent or guardian who is an active service member with multiple or extended military deployments. The meaning of "fallen hero" includes a parent or guardian who was killed while on active military duty, as well as a parent or guardian who died as a result of a service-related disability regardless of whether such parent was on active duty at the time of death.

The amount of each scholarship will vary, but may be up to q dollars per recipient each academic year. The amount for non-boarding students will be r dollars. While scholarships are renewable, renewal is not guaranteed. You reserve the right to discontinue a scholarship or the scholarship program for any reason.

Scholarship recipients will be selected based upon demonstrated financial need and academic performance, as well as the input of school personnel. Scholarship recipients are nominated by the schools and selected by your scholarship selection committee. The scholarship selection committee is comprised of your directors and officers, and any other individuals selected by your directors and officers.

The schools are required to monitor the academic and behavioral performance of scholarship recipients and to report it at the end of each semester. Should a scholarship recipient's academic and/or behavioral performance not satisfy your standards, it will be placed on probation the following semester and if there is no improvement during the probationary period, the scholarship will be terminated. An archive of scholarship recipients will be maintained, including the names, addresses, purposes, awarded amounts, and manner of selection of the scholarship.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) 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 represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

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.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

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,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements