

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

Department of the Treasury

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Release Date: 2/24/2017
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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B= Program Name
C= City
D= Number

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 that you will operate an educational scholarship program called B. The purpose of B is to award full or partial scholarships for post-secondary education to a child (natural or legally adopted) of a police officer or firefighter employed by the city of C and who has been killed or disabled in the line of duty. Scholarships are not granted for more than a total of four years of undergraduate study at an accredited college, university, or equivalent institution. In addition, scholarships may also be awarded for not more than a total of four years of study at a vocational or trade school approved by you.

The scholarship covers tuition as well as books and equipment required by the educational institution for academic purposes.

The number of scholarships depends on the number of eligible recipients and the availability of sufficient funds. The amount of the scholarship is determined by the tuition and fees imposed by the recipient's educational institution as well as by the death or parent's disability status of the applicant's parent. In the case of the parent's disability, the parent's disability must be ongoing and the parent's income must not exceed a prescribed dollar amount. Scholarships from other sources offset any amount that you would otherwise award. Applicants and recipients are required to notify you of other scholarships.

B is publicized through your website and by word of mouth. To be eligible for B, the applicant must be a high school graduate and a child (natural or legally adopted) of a police officer or firefighter employed by C and who has been killed or disabled in the line of duty. Qualified candidates must submit an application found on your website and required financial information documents.

Recipients are chosen by your Scholarship Award Committee and will generally consist of your President, Vice President, Treasurer and Secretary as well as the Commissioners of the C Police and Fire Departments. The President may appoint additional members of the Committee, but the total number of committee members cannot be more than D. The Committee will consider the factors of scholarship, character and service when making their selections.

Scholarship proceeds may be paid to the education institution or directly to the recipient. To continue to receive the scholarship, the recipients must demonstrate satisfactory scholastic performance and maintain a minimum grade point average of 2.0. The recipients must submit semester grade reports promptly to you at the end of each semester. Failure to submit the reports may result in the withholding of the tuition for the following semester and is grounds for termination. If a recipient is dropped by the institution for academic failure or other legitimate reasons, or if the recipient fails to maintain at least a 2.0 grade point average, you may terminate the scholarship in your sole and absolute discretion.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the period for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (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 diversions 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 whether 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.
- The effective date of our approval is December 30, 2015, which is the date your request was submitted.
- 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