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

Date: APR 25 2000

Contact Person:

ID Number:

Telephone Number:

SIN# 4945-00.00 4945-01.00

OP:E:EO:T:3

Employer Identification Number:

A =
B =

Dear Sir or Madam:

This is reference to your letter dated October 27, 1999, requesting advance approval of your grant making procedures under section 4945(g)(1) of the Internal Revenue Code.

The information submitted in this case shows that grants will be administered and supervised by A, a publicly supported charity. The scholarship program will be called B. A will prepare and furnish application forms, receive all applications, determine the recipients and amount to be awarded, notify the recipients of the award, confirm enrollment in an educational institution, make payment of the award, and supervise and investigate the use of the grant funds by the recipients in their educational programs. Recipients are determined solely by A utilizing selection criteria based on an analysis of detailed information whereby each candidate is evaluated based on the following: scholastic aptitude as measured by performance on the scholastic aptitude test; scholastic performance measured by rank in class; counselor appraisal, and interests, activities and leadership contributions.

Scholarships will only be awarded to students that plan to enroll in an institution that meets the requirements of section 170(b)(A)(ii) of the Code. The recipient will not be restricted in his or her course of study. You have agreed to comply with the appropriate percentage tests set forth in Revenue Procedure 76-47, 1976-2 C.B. 670.

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 proposes by such individual, unless such grant satisfies the requirements of section 4945(g).

Section 4945(g)(1) of the Code provides that section 4945(d)(3) shall not apply to an individual grant awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance by the Secretary, if it is demonstrated to the satisfaction of the Secretary that the grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for the study at an educational organization described in section 170(b)(1)(A)(vi) of the Code.

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Revenue Procedure 76-47, 1976-2 C.B. 670, sets forth guidelines for a private foundation conducting an employer-related grant program to obtain advance approval under section 4945(g) of the Code.

Based on the information presented above, and assuming the scholarship program will be conducted as proposed, with a view to providing objectivity and nondiscrimination in the awarding of scholarship grants, we rule that your grants to A for the awarding of scholarships comply with the requirements of section 4945(g)(1) of the Code. Thus, such expenditures made in accordance with those procedures will not constitute "taxable expenditures" within the meaning of section 4945(g)(3) of the Code.

The recipient of the scholarship is responsible for determining whether all or part of the scholarship is includable in gross income under section 117 of the Code. We understand that A will advise the recipient that amounts granted are taxable income, if the aggregate scholarship amounts received by the recipient exceed tuition and fees (not including room and board) required for enrollment or attendance at the educational institution and fees, books, supplies, and equipment required for courses of instruction.

This ruling is based on the understanding that there will be no material change in the facts upon which it is based, and that no grants will be awarded to foundation managers, trustees, members of selection committees, or for a purpose inconsistent with the purposes described in section 170(c)(2)(B) of the Code. Any change in the procedure must be reported to your Area Manager for exempt organization matters.

Please note that this ruling is only applicable to grants awarded under the A scholarship program as outlined above. Before you enter into any other scholarship program, you should submit a request for advance approval of that program.

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.

Sincerely,

S

Robert C. Harper, Jr.
Manager, Exempt Organizations
Technical Group 3