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TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

Date: JAN 30 2003

Contact Person:

Identification Number:

Telephone Number:

SIN: 4945.00-00

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Legend:
B=
C=
D=
E=

Dear Sir or Madam:

This is in reference to a letter dated January 10, 2003, requesting advance approval of your grant procedures under section 4945(g) of the Internal Revenue Code.

The information submitted indicates that grants will be administered and supervised by B. B is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation under sections 509(a)(1) and 170(b)(1)(A)(vi).

Your scholarship program is called C. Under the terms of an agreement, you will make annual contributions to B to benefit scholarship recipients. In the first year of the C program, five recipients from each of ten D branch areas will be selected to receive $2,000 scholarships. In subsequent years, the number of branch areas and scholarships may be changed. An independent review panel through the B selection process, will choose the recipients. In selecting winners, primary consideration will be given to students' demonstrated outstanding achievement in school, extracurricular, community or work activities. Academic record and potential, leadership and participation in school and community activities, work experience, statement of education and career goals, unusual personal or family circumstances and recommendations will also be considered. Nonacademic achievement will be weighted at 75 percent, with academic achievement at 25 percent.

Applicants will be United States citizens or legal residents who are in their senior year of high school and plan to enroll full-time in an accredited two-year or four-year college or

university in the United States. In addition, applicants will be residents of or attend high school in communities located in the selected branch areas. Employees, associates, or immediate family members of employees or associates of D, B, E, or their affiliates, subsidiaries and advertising and promotion agencies will not be eligible.

Scholarships will only be awarded to students that plan to enroll in an institution that meets the requirements of section 170(b)(1)(A)(ii) of the Code. The recipient will not be restricted in his/her course of study.

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)(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 study at an educational institution described in section 170(b)(1)(A)(ii).

Because your scholarships are not employer-related grants, the provisions of Rev. Proc. 76-47 are not applicable.

Based upon 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 grants to B for the awarding of scholarship grants comply with the requirements of section 4945(g)(1) 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, and as such are eligible for the exclusion from income provided for in section 117(a) of the Code to the extent that such grants are actually used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This ruling is conditioned on the understanding that there will be no material changes in the facts upon which it is based. It is further conditioned on the understanding that no grants will be awarded to your organization's creators, officers, directors, trustees, or members of the selection committee, or for a purpose 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 system of standards and procedures for selecting recipients of grants that meet the requirements of section 4945(g)(1) 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.

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