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

Date: APR 19 2000

SSN: 4945-04.04

O.P.E.E.O.T 3

Dear Sir or Madam:

This is in response to your ruling request of January 27, 2000, requesting advance approval of your scholarship program (Program) pursuant to section 4945(g) of the Internal Revenue Code.

Our records show that you are a private foundation described in section 509(a) of the Code. The information provided indicates that scholarships will be administered and supervised by Citizens' Scholarship Foundation of America (CSFA), a publicly supported charity. Under the terms of the agreement, you will make an annual contribution to CSFA to fund scholarships to be awarded by CSFA to eligible students. CSFA will prepare and furnish application forms, receive all applications, determine the recipients and amount to be awarded, notify the recipients of the award, and make payment of the award. CSFA will prepare management reports summarizing program activity and results.

You have agreed to ensure compliance with the appropriate percentage test set forth in Revenue Procedure 76-47, 1976-2 C.B. 670. in the aggregate with respect to all the Foundation scholarship programs which are available to the same individuals.

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)(l) 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 organization described in section 170(b)(1)(A)(ii).

Rev. Proc. 76-47 sets forth guidelines for a private foundation conducting an employer-related grant program to obtain advance approval under section 4945(g) of the Code.

Section 4.01 through 4.07 of the Rev. Proc. set forth seven conditions which a private foundation must meet in order to obtain advance approval of its procedures under section 4945(g) of the Code.

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Section 4.08 of the Rev. **Proc.** further provides that a private foundation giving scholarship awards to children of employees of a company must agree to limit these grants to 25% of all-eligible applicants or 10% of all those shown to be eligible in any given year.

The information submitted shows that the CSFA program for the awarding of grants will meet the requirements of the Rev. **Proc.** 76-47.

Accordingly, based upon the information presented above, and assuming the programs 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 CSFA for the awarding of scholarship grants comply with the requirements of section 4945(g)(l) of the Code. Thus, such expenditures made in accordance with those procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

The recipient of the scholarship is responsible for determining whether all or part of the scholarship is **includible** in gross income under section 117 of the Code. We understand that CSFA 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.

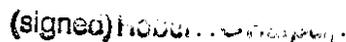
This ruling is based on the understanding that there will be no material change in the facts upon which it is based, and that no grants will be awarded to foundation managers, trustees, members of the selection committee, or for a purpose inconsistent with the purpose described in section **170(c)(2)(B)**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

This ruling will remain in effect as long as the procedures in awarding grants under your program remain in compliance with section 4.01 through 4.08 of Rev. **Proc.** 76-47. above. Records should be maintained to show that you meet the applicable percentage test of section 4.08 thereof.

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

(signed) 

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

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