SIN: 4945.00-00

199923053

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Contact Person:

Telephone Number:

In Reference to:

Date: MAR 12 1999

Dear Sir or Madam:

This is in reference to your letter of November 9, 1998, requesting advance approval of revisions made to your scholarship guidelines and grant procedures.

We originally approved your grant procedures in a ruling letter dated April 19, 1994.

Your proposed revisions to your scholarship guidelines are as follows: (A) In addition to students attending colleges and universities, scholarships will now also be offered for students attending private schools (i.e., kindergarten through grade 12); (B) While financial aid will still be a significant factor in the selection process, the requirement that "all other available sources of funds have been exhausted" will be deleted.

Scholarship recipients will be selected pursuant to these revised guidelines. The recipient school will monitor all recipient students for continued eligibility and will submit to you periodic reports of each scholarship recipient's academic performance, including courses completed and grades received for each academic period. The school will provide you with an annual report on the use of such funds, and a report on each recipient's progress towards a degree. In addition, you will make grants in accordance with section 53.4945-4(c)(5) of the Foundation and Similar Excise Taxes Regulations by (i) making only grants which qualify as scholarships as described in section 4945(g)(1) of the Code, (ii) paying such scholarships to the school and not the individuals, and (iii) making such grants to the school on the condition that the school use such grants to defray the recipient's expenses only if the recipient is enrolled at the school and has standing consistent with the revised scholarship guidelines. You will investigate any misuse of funds and seek a recovery of such misused funds.

You will retain records with respect to the scholarship granted, which records include: (i) the information used to evaluate the qualifications of the scholarship applicants; (ii) a

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complete identification of the scholarship recipients; (iii) the amount and purpose of each grant; and (iv) all recipient reports and other follow-up data outlined in administering the scholarship program.

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) of the Code.

The information provided indicates that your revised scholarship program and the procedures under which it is conducted will not differ materially from your original program, approved in the letter dated April 19, 1994.

Therefore, based upon the information submitted, and assuming your revised program will be conducted as proposed, with a view to providing objectivity and nondiscrimination in the awarding of scholarship grants, we rule that your procedures for the awarding of scholarship grants comply with the requirements of section 4945(g)(1) of the Code. Thus, 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 premise that no grants will be awarded to 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.

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

We are informing your key District Director 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(j)(3) of the Code provides that it may not be used or cited as precedent.

Sincerely yours,

Gerald V. Sack

Gerald V. Sack
Chief, Exempt Organizations
Technical Branch 4