SIN: 4945.00-00

200016028

Internal Revenue Service

OP:E:EO:T4

Department of the Treasury

Washington, DC 20224

Contact Person:

Telephone Number:

In Reference to:

Date: JAN 21 2000

Legend:
B=
C=
D=
E=
F=

Dear Sir or Madam:

This is in reference to your letter of September 8, 1999, requesting advance approval of your grant-making procedures under section 4945(g) of the Internal Revenue Code.

You are exempt under section 501(c)(3) of the Code and have been classified as a private foundation within the meaning of section 509(a).

In furtherance of your exempt purposes, you have established a scholarship grant program for individuals. You have also established an F grant program for individuals.

Your scholarship grant program will provide four different types of grants to students attending high school in B, C or D who plan to attend college or vocational institutions described in section 170(b)(1)(A)(ii) of the Code. The matching grant recipient will receive between $250 and $3,000 per year for the term of the educational program at a college or vocational institution. The E grant recipient will receive between $5,000 and $15,000 per year for the term of the educational program at a college and/or post graduate institution. The single parent grant recipient will receive between $1,000 and $5,000 per year for the term of the educational program at a college or vocational institution. The recipient of grants in the 8th-12th grade assistance program will receive between $100 and $500 per year for the period between 8th grade and 12th grade, inclusive.

All scholarship grant award recipients (except those in the 8th-12th grade assistance program) must receive their grants in installments over the course of their college or vocational

162

education program. Funds associated with a grant will be placed in an earmarked bank account for payout directly to the recipient scholar in accordance with the rules of continued participation. In order to receive each installment, the award recipient must sign an affidavit declaring that he/she is not receiving a scholarship from any other source; and provide proof of enrollment in a college or vocational institution by August 15 of each year of attendance. In the case of a recipient default (e.g., the student fails to complete a course of study, fails to provide proof of enrollment, GPA requirements, etc.), the sum earmarked for that recipient will be distributed the following year to a new recipient.

Selection of grant recipients will be made by selection committees consisting of members of the community (e.g. educators, counselors, business- persons, non-profit organization leaders, and government representatives.

You will investigate any misuse of funds and seek recovery of such funds.

Recipients of grants in your F program are teachers and students in B, C, and D elementary, middle and high schools who propose and implement innovative and practical approaches to integrating technology resources in classroom curriculum and instruction methods. Twenty grants of $500 each will be given to up to twenty teachers who develop lesson plans for an entire subject of study. One grant of $5,000 will be given to one teacher who stands out in integrating technology in lesson plans and classroom instruction. Grants of $200 will be given to up to 10 students who contribute significant ideas which advance classroom teaching and learning methods that incorporate the use of technology.

The F grant selection committee will consist of educators and nationally recognized education professionals. Members of the committee will interview both the teacher (or student) and appropriate school district personnel necessary to make an independent and unbiased nomination for a grant. No future performance will be required of grant recipients.

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.

Rev. Rul. 77-380, 1977-2 C.B. 419, holds that grants made by a private foundation primarily in recognition of past achievement, with the funds being unrestricted and not earmarked for subsequent travel or study are not taxable expenditures within the meaning of section 4945.

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 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.

Grants in your F program are for past achievement and are not intended to finance any future activity of the recipient. As in Rev. Rul. 77-380, there are no conditions or requirements to be met subsequent to receiving the awards. Thus, the awards are not grants to individuals for travel, study or similar purposes by such individuals. Accordingly, your awards for past achievement are made for purposes other than stated in section 4945(d)(3). Therefore, these grants are not subject to advance approval under section 4945(g).

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 the Ohio EP/EO key district office of this action. Please keep a copy of this ruling with your 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.

Sincerely yours,

Gerald V. Sack

Gerald V. Sack
Manager, Exempt Organizations
Group 4

165