DEPARTMENT OF THE TREASURY 200026031
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date: MAR 28 2000

Contact Person:

ID Number:

Telephone Number:

OP:E:EO:T3

SIN: 4945.04-04

Dear Sir or Madam:

This is in response to your ruling request of February 10, 2000, requesting advance approval of your scholarship program (Program) pursuant to section 4945(g) of the Internal Revenue Code.

Our records show 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 college students majoring in actuarial science. 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. The Program will not involve employer-related scholarships.

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

204

Based on the information submitted and assuming your scholarship program will be conducted as proposed with a view to providing objectivity and nondiscrimination in the awarding of grants, we rule that your grants to CSFA for the awarding of scholarship grants to college students 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(d)(3). In addition, we rule that grants made under the Program are excludable from the gross income of recipients subject to the limitations provided by section 117(b).

This ruling is conditioned on the understanding that there will be no material change in the facts upon which its is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, trustees, or members of the selection committee, or for a purpose that is inconsistent with the purposes described in section 170(c)(2)(B) of the Code.

The approval of your grant-making procedures herein constitutes a one-time approval of your system of standards and procedures designed to result in grants which meet the requirements of section 4945(g)(1) of the Code. Thus, approval shall apply to subsequent 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.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you shall maintain adequate records and case histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

This ruling is directed only 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.

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

205