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4945.04-04

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

200102057

Date: OCT 17 2000

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Contact Person:

ID Number:

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LEGEND: X =

Dear Sir or Madam:

This is in reply to your letter of October 18, 1999, requesting advance approval of your scholarship grant making procedures pursuant to the provisions of section 4945 of the Internal Revenue Code.

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

You have requested advance approval under section 4945(g) of the Code of the procedures proposed to be employed by you in making grants to individuals.

You propose to offer awards to artists with financial need for the completion of or participation in a specific body of future work already scheduled for exhibitions, performance, or publication. The awards will be made based on merit, as well as prior recognitoon of the work that is to be supported. Awards shall be evaluated on a quarterly basis and final selection of the recipients will be by a panel of your Board of Trustees. Recipients will be residents of X County. No awards will be made to spoouses, children, descendents, spouses of children or descendents, or other persons who have a close relationship to you, your director, your employees, or your trustees. You have repsented that records will be maintained on each of the grant recipients and a repient will provide a written report to you within 12 months of receipt of the award.

Section 501(c)(3) of the Code provides, in part, for exemption from federal income tax for a corporation organized and operated exclusively for charitable, scientific or educational purposes provided no part of the corporation's net earnings inure to the benefit of any private shareholder or individual.

Section 509(a) of the Code provides that, unless specifically excepted, a domestic or foreign organization described in section 501(c)(3) is a private foundation and subject to the excise taxes of Chapter 42.

Section 4945(a) of the Internal Revenue Code imposes an excise tax on each taxable expenditure made by 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 similar purposes by such individual, unless such grant satisfies the requirements of section 4945(g).

Section 4945(g)(3) of the Code provides that section 4945(d)(3) shall not apply to an individual grant awarded on an

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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 purpose of the grant is to achieve a specific objective, prodcue a report or other similar product , or improve or enhance a literary artistic, musical, scientific, teaching or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(b)(1) of the Foundation and Similar Excise Tax Regulations sets forth standards for determining whether grants to individuals awarded under section 4945(g) of the Code are made on "an objective and nondiscriminatory basis."

Section 53.4945-4(d)(3) of the Regulations provides that if, by the 45th day after a request for approval of grant procedures has been properly submitted to the Service, the organization has not been notified that such procedures are not acceptable, such procedures shall be considered as approved from the date of submission until receipt of actual notice from the Service that such procedures do not meet the requirements of section 4945(g). If a grant to an individual for a purpose described in section 4945(d)(3) is made after notification to the organization by the Service that the procedures under which the grant is made are not acceptable, such grant is a taxable expenditure.

We have considered your grant-making procedures under section 4945(g) of the Code. Based on the information submitted and assuming your scholarship and loan programs will be conducted as proposed, with a view to providing objectivity and nondiscrimination in awarding grants and educational loans, we have determined that your procedures in awarding grants loans comply with the requirements of section 4945(g)(3), and that scholarships granted according to these procedures will not be "taxable expenditures" within the meaning of section 4945(d)(3).

This ruling is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants or loans will be awarded to your organization's creators, officers, directors, trustees, or members of the selection committee, or for a purpose that is inconsistent with the purposes described in section 170(c)(2)(B).

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)(3). 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.

Any grants you made between the date of this letter and the date upon which you submitted your proposed procedures are considerred qualifying distributions for the purpose of section 4942 of the Code and not taxable expenditures within the meaning of section 4945. Section 53.4945-4(d)(3) of the regulations provides that if, by the 45th day after a request for approval of grant procedures has been properly submitted to the Service, the organization has not been notified that such procedures are not acceptable, such procedures shall be considered as approved from the date of submission until receipt of actual notice from the Service that such procedures do not meet the requirements of section 4945(g).

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. Because this letter could help resolve any question about your exempt status, you should keep it in your permanent records.

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. For other matters, including questions concerning reporting requirements, please contact the Ohio TE/GE Customer Service Office.

Sincerely Yours,

Joseph Chasin

Joseph Chasin
Acting Manager,
Exempt organizations
Technical Group 2

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