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

**200247056**

Date:

AUG 29 2002

Contact Person:

ID Number:

Contact Number:

T:EO:B1

Employer Identification Number:

Dear Sir or Madam:

This is in reply to your letter of July 8, 2002, requesting advance approval of your grant making procedures pursuant to the provisions of section 4945 of the Internal Revenue Code.

You are exempt under from federal income tax under section 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 to be employed by you in making scholarship grants to individuals.

You have stated that your tax-exempt purpose is to support, initiate, and operate programs of research and education designed to enhance and develop practices of agricultural production and management and advance certain agricultural cooperative ventures.

Your scholarship program is intended to benefit individuals seeking to further their education and is restricted to your members and their children who will be attending an accredited college or university, with preference given to individuals pursuing an agricultural related course of study. You have stated that members of your organization and members of related organizations that are eligible for awards consist of over 70,000 individuals. An individual can become a member by paying a nominal annual fee. Termination of membership is not grounds for retracting a scholarship that has been awarded. Awards are intended to pay education expenses related to tuition and books, and may not be made for any purpose that is inconsistent with the purposes described in section 170(c)(2)(B) of the Code. No scholarships are to be awarded to family members and lineal descendents of any oficer, director or board member of your organization or to any disqualified person as defined in section 4946(a)(1).

You have stated that your Board of Directors has established a committee to complete an initial review of applications on an objective and nondiscriminatory basis. The Board of Directors has the final approval over all applications recommended by the committee. Applications are evaluated based on the following criteria: (a) the academic record of the student; (b) the candidate's social and community involvement; (c) a written or oral essay from the candidate outlining his/her personal and professional goals and involvement with your organization and (d) the likelihood of an individual to pursue a field of study in the area of agriculture or related fields. Scholarships are payable jointly to the selected student and the

educational institution of their choice with the understanding that all such amounts are to be used to defray educational expenses related to tuition and books.

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) 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--

(1) the grant constitutes a scholarship or fellowship grant which would be subject to the provisions of section 117(a) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii),

(2) the grant constitutes a prize or award which is subject to the provisions of section 74(b)(without regard to paragraph (3) thereof), if the recipient of such prize or award is selected from the general public, or

(3) the purpose of the grant is to achieve a specific objective, produce 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 program 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 scholarship grants comply with the requirements of section 4945(g)(1), and that scholarship granted according to these procedures will not be "taxable expenditures"

within the meaning of section 4945(d)(3) and as such are eligible for the exclusion from income provided for in section 117(a) of the Code to the extent 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 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)(1). 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.

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) Marvin Friedlander

Marvin Friedlander
Manager, Exempt Organizations
Technical Group 1