SIN: 4945-00-00

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

199911050

Contact Person:

Telephone Number:

In Reference to:

Date:

JAN 12 1999

Legend

B=

C=
D=
E=

Dear Sir or Madam:

This is in reference to your letter of October 29, 1998, requesting advance approval of revisions made to the guidelines and procedures of B.

We originally approved your grant procedures in a ruling letter dated February 13, 1973.

Your proposed changes to B's guidelines and procedures are as follows: (A) Commencing with the fall semester of the year 2001, you intend to grant up to ten scholarships for post high school study pursuant to C guidelines. Each year thereafter up to an additional ten scholarships may be awarded. When fully implemented, there may be up to forty scholarships being funded annually. C's guidelines have been incorporated as Part F of B's guidelines and procedures. C's guidelines encompass two changes from the general scholarship fund guidelines: (i) Applicants must have attended D for three years (ii) Applicants must have been academically ranked in the top 10 of his/her eighth grade class. Selection is based solely on academic standing without regard to financial need. D is one of the middle schools in E. None of the members of your Board of Trustees nor any of your staff have any family members who attend D; (B) You intend to grant awards directly to the student rather than to the school that the student attends. A check in the amount of the grant will be sent directly to the student upon receipt from the student of the student's fee bill, class schedule, transcripts, and other items required in the instruction letter to the student. You have experienced a great deal of difficulty in attempting to pay schools directly and your Board believes this change is necessary

to facilitate the awards being funded on a timely basis; (C) The maximum award has been increased from $1,000 per academic semester to $1,500 per academic semester, which represents an increase from $8,000 over a four year period to $12,000 over a four year period; (D) You have dropped the special scholarship program for EMT/Paramedic students.

You will receive periodic reports concerning the progress of scholarship recipients. You will investigate any possible misuse of funds and seek recovery of any misused funds.

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 February 13, 1973.

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