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4945.04-00

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

Date:
JUL 18 2001

Contact Person:
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Telephone Number:
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Employer Identification Number: **********

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Dear Applicant:

This is in reference to your letter of June 25, 2001, requesting a ruling that expenditures pursuant to the program described will not constitute taxable expenditures within the meaning of section 4945(d) of the Internal Revenue Code.

You are a Nonprofit Corporation exempt from Federal income tax pursuant to section 501(c)(3) of the Code classified as a private foundation under section 509(a) of the Code.

Your proposed program will make grants to eligible charities. In order to be an eligible charity, an organization must be tax exempt under section 501(c)(3) of the Code and may not a private foundation or otherwise excluded under the terms of the plan. Generally, the organizations must benefit the community in directly providing social services, education, civic activities, cultural actives, youth or health and human services. You will not make grants to several types of organizations, including religious organizations, veterans' organizations, political organizations, and organizations that provide funds or services to organizations located in foreign countries.

In order for an eligible charity to receive a grant under your program it must have received a minimum of 40 hours of volunteer services during a calendar year from one full-time or part-time employee of A or its subsidiaries.

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The volunteer service must be performed on the employees personal time, and not during working hours. The employee may submit a grant application upon completion of 40 hours of volunteer work. If the application is completed and filed in a timely manner, a grant will be awarded.

Section 4945 of the Code provides for the imposition of taxes on each taxable expenditure of a private foundation.

Section 4945(d)(4) of the Code defines the term "taxable expenditure" to include a grant by a private foundation to any organization except an organization that is described in section 509(a)(1), (2), or (3); or is an exempt private operating foundation as defined in section 4940(d)(2); or where the private foundation exercises expenditure responsibility.

Section 4945(d)(5) of the Code defines the term "taxable expenditure" as expenditure for any purpose other than one specified in section 170(c)(2)(B) of the Code.

Section 170(c)(2)(B) of the Code defines the term "charitable contribution" to include a contribution to or for the use of a corporation organized and operated exclusively for charitable, scientific, literary, or educational purposes or for the prevention of cruelty to children or animals.

Section 501(c) (3) of the Internal Revenue Code exempts from Federal taxation organizations that are operated exclusively for charitable, scientific, literary or educational purposes or for the prevention of cruelty to children or animals.

Under the terms of the program, only organizations that are tax exempt under section 501(c)(3) of the Code and are not private foundations may be eligible to receive grants. The purposes enumerated under section 170(c)(2)(B) of the Code constitute exempt purposes within the meaning of section 501(c)(3). Thus, a contribution to a 501(c)(3) organization would be a contribution for purposes specified in section 170(c)(2)(B) of the Code.

Based upon the information you submitted, and assuming your program will be conducted as proposed, we rule that your expenditures pursuant to the program described above are not taxable expenditures under section 4945 (d) of the Code because they are given to organizations that are not private foundations to be used for one or more of the purposes specified in section 170(c)(2)(B) 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 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) of the Code.

We are informing the Ohio TE/GE 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
Chief, Exempt Organizations
Technical Branch 4

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