

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

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Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

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Date:

April 04, 2017

Legend:

Issuer =

Bonds =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Date 7 =

Dear :

This is in response to your request for a ruling that Issuer's proposed actions to cease status as a qualified scholarship funding corporation under § 150(d)(2) of the Internal Revenue Code (the "Code") will not cause interest on the Bonds to fail to be excludable from gross income under § 103.

Facts and Representations

Issuer represents that it has been a corporation described in § 150(d)(2) since Date 1 and received a determination letter on Date 2 from the Internal Revenue Service stating that it is an organization described in § 501(c)(3) and exempt from federal income tax under § 501(a), both dates being prior to the issuance of the Bonds.

Issuer issued the Bonds on Dates 3, 4, 5, and 6, and remained the obligor on the Bonds for the duration of time the Bonds were outstanding. At the times the Bonds were issued and for the entire time that the Bonds were outstanding, Issuer was a qualified scholarship funding corporation as defined in § 150(d)(2).

Using cash from taxable debt obligations, Issuer fully redeemed the Bonds by Date 7. Following retirement of the Bonds, Issuer had no outstanding tax-exempt bonds.

Issuer proposes to amend its articles of incorporation and bylaws to expand its charitable purposes and to do more than exclusively acquire student loan notes incurred under the Higher Education Act of 1965.

Law and Analysis

Section 103(a) provides, with exceptions, that gross income does not include interest on any State or local bond.

Section 150(d)(1) provides that a "qualified scholarship funding bond" is treated as a State or local bond.

Section 150(d)(2) provides that the term "qualified scholarship funding bond" means a bond issued by a corporation which –

(A) is a corporation not for profit established and operated exclusively for the purpose of acquiring student loan notes incurred under the Higher Education Act of 1965, and

(B) is organized at the request of the State or 1 or more political subdivisions thereof or is requested to exercise such power by 1 or more political subdivisions and required by its corporate charter and bylaws, or required by State law, to devote any income (after payment of expenses, debt service, and the creation of reserves for the

same) to the purchase of additional student loan notes or to pay over any income to the United States.

Section 150(d)(3)(A) provides that any qualified scholarship funding bond, and qualified student loan bond, outstanding on the date of the issuer's election under that section (and any bond (or series of bonds) issued to refund such a bond) shall not fail to be a tax-exempt bond solely because the issuer ceases to be a corporation described in § 150(d)(2) if the issuer meets the requirements of subparagraphs (B) and (C) of that section.

The requirements of § 150(d)(3)(B) are met by an issuer if –

(i) all of the student loan notes of the issuer and other assets pledged to secure the repayment of qualified scholarship funding bond indebtedness of the issuer are transferred to another corporation within a reasonable period after the election is made;

(ii) such transferee corporation assumes or otherwise provides for the payment of all of the qualified scholarship funding bond indebtedness of the issuer within a reasonable period after the election is made;

(iii) to the extent permitted by law, such transferee corporation assumes all of the responsibilities, and succeeds to all of the rights, of the issuer under the issuer's agreements with the Secretary of Education in respect of student loans;

(iv) immediately after such transfer, the issuer, together with any other issuer which has made an election under § 150(d)(3) in respect of such transferee, hold all of the senior stock in such transferee corporation; and

(v) such transferee corporation is not exempt from tax under that chapter.

The requirements of § 150(d)(3)(C) are met by an issuer if, within a reasonable period after the transfer referred to in § 150(d)(3)(B) –

(i) the issuer is described in § 501(c)(3) and exempt from tax under § 501(a);

(ii) the issuer no longer is described in § 150(d)(2)(A) and (B); and

(iii) at least 80 percent of the members of the board of directors of the issuer are independent members.

When an issuer has outstanding tax-exempt bonds, it may make an election to cease status as a qualified scholarship funding corporation under § 150(d)(3), in which case it must follow the requirements described in § 150(d)(3). The purpose of § 150(d)(3) is to preserve the tax-exempt status of an issuer's qualified scholarship funding bonds and

qualified student loan bonds outstanding on the date of an issuer's election (and any bond (or series of bonds) issued to refund such bonds) despite the loss of an issuer's status as a qualified scholarship funding corporation. However, § 150(d)(3) is not applicable in this case because Issuer has redeemed all its Bonds.

Regardless of the inapplicability of § 150(d)(3) in this case, Issuer's proposed actions will result in its ceasing to operate as a qualified scholarship funding corporation described under § 150(d)(2). Because Issuer represents it was a corporation described under § 150(d)(2) at the time the Bonds were issued, it was a corporation described under § 150(d)(2) for the entire time the Bonds were outstanding, and it remained the obligor on the Bonds the entire time they were outstanding, Issuer's proposed actions will not cause interest on the Bonds to fail to be excludable from gross income under § 103.

Conclusion

Based on the information submitted and representations made, we conclude that Issuer's proposed actions will not cause the interest on the Bonds to fail to be excludable from gross income under § 103.

The ruling contained in this letter is based upon information and representations submitted by Issuer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the materials submitted in support of the request for a ruling, it is subject to verification upon examination.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with a Power of Attorney on file with this office, a copy of this letter is being sent to Issuer's authorized representative.

Sincerely,

Associate Chief Counsel
(Financial Institutions & Products)

/S/

By: _____
Timothy L. Jones
Senior Counsel, Branch 5