



Tax Reduction Letter

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Revenue Ruling 75-209

Scholarships and fellowships; Domestic Volunteer Service Act stipend. A stipend received by a full-time student enrolled for a period of at least one year in the University Year for Action program provided for by the Domestic Volunteer Service Act of 1973 is not excludable from the recipient's gross income as a scholarship or fellowship grant, but is compensation for services performed as an employee of the U.S.

Advice has been requested whether a stipend received by a participant in a program under the Domestic Volunteer Service Act of 1973, Pub. L. 93-113, 1973-2 C.B. 441, 93rd. Cong., 1st Sess. (October 1, 1973), is excludable from gross income as a scholarship or fellowship grant under section 117 of the Internal Revenue Code of 1954.

Part B of title I of the Domestic Volunteer Service Act of 1973, provides for the University Year for Action program under which full-time student volunteers enrolled in institutions of higher education participate in programs to eliminate poverty and poverty related human, social, and environmental problems. Under section 105 (a) (1) of part A, title I, of this Act, the Director may provide a stipend to volunteers who enroll in the program for periods of service of not less than one year.

Section 415 (b) of title IV of the Domestic Volunteer Act of 1973 provides, in part, that individuals enrolled in programs under title I of this Act for periods of service of at least one year shall be deemed employees of the United States for purposes of the Internal Revenue Code of 1954, and any service performed by an individual as a volunteer (including training) shall be deemed to be performed in the employ of the United States.

Section 61 of the Code provides that unless otherwise excluded by law gross income includes all income from whatever source derived including, but not limited to, compensation for services. Section 117 (a) of the Code provides, that subject to certain limitations and qualifications, the gross income of an individual does not include amounts received as a scholarship at an educational institution or as a fellowship grant.

Section 1.117-4 (c) of the Income Tax Regulations provides, in part, that any amount paid or allowed to, or on behalf of an individual to enable him to pursue studies or research shall not be considered to be an amount received as a scholarship or fellowship grant, if such amount represents compensation for past, present, or future employment service that are subject to the direction or supervision of the grantor, or if such studies or research are primarily for the benefit of the grantor.

The Supreme Court of the United States held in *Bingler v. Johnson*, 394 U.S. 741, 22 L. Ed. 2d 695, 89 S. Ct. 1439 (1969), 1969-2 C.B. 17, that the definitions supplied in section 1.117-4 (c) of the regulations are proper, comporting as they do with the ordinary understanding of

"scholarships" and "fellowships" as relatively disinterested, "no-strings" educational grants, with no requirements of any substantial quid pro quo from the recipients.

In the instant case, the stipends paid under title I of the Domestic Volunteer Service Act of 1973 are for services performed within the meaning of section 1.117-4 (c) of the regulations and, therefore, do not qualify as a scholarship or fellowship within the meaning of section 117 of the Code. Additionally, section 415 (b) of title IV of the Domestic Volunteer Service Act of 1973 specifically provides that services performed under title I of the Act are deemed to be performed as employees of the United States for purposes of the Internal Revenue Code.

Accordingly, stipends received for services performed under part B, title I of the Domestic Volunteer Service Act of 1973 are not excludable from a recipient's gross income as a scholarship or a fellowship grant under section 117 of the Code, but are includible in gross income as compensation for services under section 61 of the Code.