

strued to affect the treatment of the private use of proceeds or property financed with obligations issued by the corporation for purposes of section 103 of the Internal Revenue Code of 1986 and part IV of subchapter B [probably means part IV of subchapter B of chapter 1] of such Code.

“(d) DEFINITIONS.—For purposes of this section:

“(1) REAL ESTATE INVESTMENT TRUST.—The term ‘real estate investment trust’ has the meaning given such term by section 856(a) of the Internal Revenue Code of 1986.

“(2) NON-OPERATING CLASS III RAILROAD.—The term ‘non-operating class III railroad’ has the meaning given such term by part A of subtitle IV of title 49, United States Code (49 U.S.C. 10101 et seq.), and the regulations thereunder.

“(3) STATE.—The term ‘State’ includes—

“(A) the District of Columbia and any possession of the United States, and

“(B) any authority, agency, or public corporation of a State.

“(e) APPLICABILITY.—

“(1) IN GENERAL.—Except as provided in paragraph (2), this section shall apply on and after the date on which a State becomes the owner of all of the outstanding stock of a corporation described in subsection (a) through action of such corporation’s board of directors.

“(2) EXCEPTION.—This section shall not apply to any State which—

“(A) becomes the owner of all of the voting stock of a corporation described in subsection (a) after December 31, 2003, or

“(B) becomes the owner of all of the outstanding stock of a corporation described in subsection (a) after December 31, 2006.”

**[§ 116. Repealed. Pub. L. 99-514, title VI, § 612(a), Oct. 22, 1986, 100 Stat. 2250]**

Section, acts Aug. 16, 1954, ch. 736, 68A Stat. 37; June 25, 1959, Pub. L. 86-69, § 3(a)(2), 73 Stat. 139; Sept. 14, 1960, Pub. L. 86-779, § 10(f), 74 Stat. 1009; Feb. 26, 1964, Pub. L. 88-272, title II, § 201(c), (d)(6)(C), 78 Stat. 32; Nov. 13, 1966, Pub. L. 89-809, title I, § 103(g), 80 Stat. 1552; Oct. 4, 1976, Pub. L. 94-455, title X, §§ 1051(h)(2), 1053(d)(1), title XIX, § 1901(a)(20), 90 Stat. 1647, 1649, 1766; Apr. 2, 1980, Pub. L. 96-223, title IV, § 404(a), 94 Stat. 305; Aug. 13, 1981, Pub. L. 97-34, title III, § 302(b)(2), 95 Stat. 272; July 18, 1984, Pub. L. 98-369, div. A, title V, § 542(b), 98 Stat. 891, authorized partial exclusion of dividends received by individuals.

**Statutory Notes and Related Subsidiaries**

**EFFECTIVE DATE OF REPEAL**

Repeal applicable to taxable years beginning after Dec. 31, 1986, see section 612(c) of Pub. L. 99-514, set out as an Effective Date of 1986 Amendment note under section 301 of this title.

**§ 117. Qualified scholarships**

**(a) General rule**

Gross income does not include any amount received as a qualified scholarship by an individual who is a candidate for a degree at an educational organization described in section 170(b)(1)(A)(ii).

**(b) Qualified scholarship**

For purposes of this section—

**(1) In general**

The term “qualified scholarship” means any amount received by an individual as a scholarship or fellowship grant to the extent the individual establishes that, in accordance with the

conditions of the grant, such amount was used for qualified tuition and related expenses.

**(2) Qualified tuition and related expenses**

For purposes of paragraph (1), the term “qualified tuition and related expenses” means—

(A) tuition and fees required for the enrollment or attendance of a student at an educational organization described in section 170(b)(1)(A)(ii), and

(B) fees, books, supplies, and equipment required for courses of instruction at such an educational organization.

**(c) Limitation**

**(1) In general**

Except as provided in paragraph (2), subsections (a) and (d) shall not apply to that portion of any amount received which represents payment for teaching, research, or other services by the student required as a condition for receiving the qualified scholarship or qualified tuition reduction.

**(2) Exceptions**

Paragraph (1) shall not apply to any amount received by an individual under—

(A) the National Health Service Corps Scholarship Program under section 338A(g)(1)(A) of the Public Health Service Act,

(B) the Armed Forces Health Professions Scholarship and Financial Assistance program under subchapter I of chapter 105 of title 10, United States Code, or

(C) a comprehensive student work-learning-service program (as defined in section 448(e) of the Higher Education Act of 1965) operated by a work college (as defined in such section).

**(d) Qualified tuition reduction**

**(1) In general**

Gross income shall not include any qualified tuition reduction.

**(2) Qualified tuition reduction**

For purposes of this subsection, the term “qualified tuition reduction” means the amount of any reduction in tuition provided to an employee of an organization described in section 170(b)(1)(A)(ii) for the education (below the graduate level) at such organization (or another organization described in section 170(b)(1)(A)(ii)) of—

(A) such employee, or

(B) any person treated as an employee (or whose use is treated as an employee use) under the rules of section 132(h).

**(3) Reduction must not discriminate in favor of highly compensated, etc.**

Paragraph (1) shall apply with respect to any qualified tuition reduction provided with respect to any highly compensated employee only if such reduction is available on substantially the same terms to each member of a group of employees which is defined under a reasonable classification set up by the employer which does not discriminate in favor of highly compensated employees (within the