

Guide Sheet for Advance Approval of Individual Grant Procedures

INSTRUCTIONS: This guide sheet is intended to assist in the processing of requests by private foundations under IRC 4945(d)(3) and (g) for advance approval of grant procedures under a program that makes grants to individuals for travel, study, or other similar purposes. Requests for advance approval may be made either as part of an exemption application or by separate ruling request. Consult your manager for additional help, as needed.

PART 1

This part is applicable to private foundations that make grants to individuals for travel, study, or other similar purposes. Therefore, the following requirements apply to all private foundation programs that make grants to individuals for scholarships, fellowships, and educational loans, including employer-related grant programs. A “Yes” response is favorable unless otherwise specified. A “No” response indicates an issue that needs to be resolved unless otherwise specified. “N/A” means that the question is not applicable.

		Yes	No	N/A
1	Is the private foundation required to obtain advance approval of grant procedures for its grants to individuals for travel, study, or other similar purposes?			
2	Does the grant program further the charitable or educational purposes of the grantor foundation?			
3	Does the group of potential candidates represent a charitable class?			
4	Are the criteria used in selecting grant recipients related to the purposes of the grant?			
5	Is the person or group of persons who select recipients of the grant in a position to derive a private benefit, either directly or indirectly, if certain potential grantees are selected over others? If “Yes,” the issue needs to be resolved. If “No,” there is no issue.			
6	Will the private foundation either (1) receive a report, at least annually, from the recipient showing that the activities the grant is intended to finance were performed, or (2) pay a scholarship or fellowship grant to a school that has agreed to use the grant for a grantee that is enrolled and in good standing?			
7	Will the private foundation investigate any misuse of funds and withhold further payments to the extent possible if (1) the foundation does not receive a required report, or if (2) reports or other information indicate that grant proceeds are not being used for the purpose for which grants were made?			
8	Will the private foundation take all reasonable and necessary steps to (1) recover grant funds, or to (2) ensure restoration of such funds and their dedication to the purposes the grant funds are financing?			
9	Will the private foundation maintain records relating to grants to individuals?			

This concludes PART 1. For employer-related grant programs, proceed to PART 2.

PART 2

This part is applicable to private foundations that make employer-related grants to individuals for scholarships, fellowships, or educational loans. Employer-related grants include scholarships or fellowships as well as educational loans made on a preferential basis to employees or children of employees of a particular employer. However, a private foundation created and funded by a for-profit company that awards scholarships based on objective standards for the education of children of a particular community regardless of whether the parents are employed by the company is not an employer-related grant program. Rev. Rul. 79-131, 1979-1 C.B. 368.

Guidelines for advance approval of employer-related scholarship or fellowship grants are contained in Rev. Proc. 76-47, 1976-2 C.B. 670. Guidelines for employer-related educational loan grants are contained in Rev. Proc. 80-39, 1980-2 C.B. 772. Employer-related grants made to individuals for travel, study, or other similar purposes must satisfy the requirements in PART 1 and PART 2.

		Yes	No	N/A
1	Will the program be used by the employer, the private foundation, or the creator of the foundation for a purpose other than to recruit employees or to induce employees to continue employment or to follow a course of action sought by the employer? If "Yes," the issue needs to be resolved. If "No," there is no issue.			
2	Will the selection committee consist wholly of individuals totally independent (except for participation on the committee) and separate from the private foundation, its creator and the employer? If "Yes," there is no issue. If "No," the issue needs to be resolved.			
3	Will any public announcement of the awards be made? If "Yes," answer Question 4. If "No," proceed to Question 5.			
4	Will the public announcement be made either by the selection committee or by the private foundation? If "Yes," there is no issue. If "No," the issue needs to be resolved.			
5	Will the grants be awarded solely in the order recommended by the selection committee? If "Yes," there is no issue. If "No," the issue needs to be resolved.			
6	Are the grants fixed as to the amount to be awarded? If "Yes," there is no issue and proceed to Question 8. If "No," answer Question 7.			
7	Once the selection committee has made its recommendations, is the number of grants to be awarded fixed? If "Yes," there is no issue and proceed to Question 9. If "No," answer Question 8.			
8	Does anyone other than the selection committee have the authority to increase the number of grants to be awarded after the selection committee has made its recommendation? If "Yes," this issue needs to be resolved. If "No," there is no issue.			
9	Will the grant program impose identifiable minimum eligibility requirements? If "Yes," answer Question 10. If "No," the issue needs to be resolved.			
10	Will the grant program's minimum eligibility requirements limit the selection committee's consideration to those employees or children of employees who meet minimum admission standards to an educational institution for which grants are available? If "Yes," there is no issue. If "No," the issue needs to be resolved.			
11	Will selection of grant recipients be based solely upon substantial objective standards completely unrelated to the employment of the recipients or their parents and to the employer's line of business? If "Yes," there is no issue. If "No," the issue needs to be resolved.			

		Yes	No	N/A
12	Will a grant be terminated because the recipient or the recipient's parent terminates employment with the employer subsequent to the awarding of the grant regardless of the reason for such termination of employment? If "Yes," the issue needs to be resolved. If "No," there is no issue.			
13	Will the course of study for which grants are available be limited to those that would be of particular benefit to the employer or to the private foundation? If "Yes," the issue needs to be resolved. If "No," there is no issue.			
14	Will the terms of the grant and the course of study for which grants are available be consistent with a disinterested purpose of enabling recipients to obtain an education solely for their personal benefit? If "Yes," there is no issue. If "No," the issue needs to be resolved.			

Questions 15 through 19 apply to limits that apply to the number of grants that a private foundation may award annually to children of employees. Questions 20 through 22 apply to limits that apply to the number of grants that a private foundation may award annually to employees.

		Yes	No	N/A
15	Does the private foundation award grants to children of employees? If "Yes," continue. If "No," skip to Question 20.			
16	Will the private foundation limit the number of grants it intends to award to children of employees to 25% of the number of children who were (1) eligible, (2) applicants for such grants, and (3) considered by the selection committee? If "Yes," skip to Question 20. If "No," continue.			
17	Will the private foundation limit the number of grants it intends to award to children of employees to 10% of the number of children who can be shown to be eligible even though they did not apply? If "Yes," proceed to Question 18. If "No," skip to Question 20.			
18	Will the private foundation apply the 10% limit to children of employees by applying the procedures described in Rev. Proc. 85-51 that require a survey for determining whether children of employees are eligible recipients even though they did not apply for a grant? If "Yes," skip to Question 20. If "No," go to Question 19.			
19	Will the private foundation limit the number of grants it intends to award to children of employees based on all the facts and circumstances? If "Yes," the private foundation must explain why it cannot meet the 25% or 10% test. If "No," the issue needs to be resolved.			
20	Does the private foundation award grants to children of employees? If "Yes," continue. If "No," stop.			
21	Will the private foundation limit the number of grants it intends to award to employees to 10% of the number of employees who were (1) eligible, (2) applicants for such grants, and (3) considered by the selection committee? If "Yes," there is no issue. Stop. If "No," proceed to Question 22.			
22	Will the private foundation limit the number of grants it intends to award to employees based on all the facts and circumstances? If "Yes," the private foundation must explain why it cannot meet the 10% test. If "No," the issue needs to be resolved.			

