

Internal Revenue Service

P.O. Box 2508

Cincinnati, OH 45201

Department of the Treasury

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Date: 1/17/13

UIL Code: 4945-04-04

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

X = Program Name

Y = Employer Name

b = Number

c dollars= Amount

Dear :

You asked for advance approval of your employer-related scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our Determination

We approved your procedures for awarding employer-related scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding employer-related scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures will not be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code section 117(b)).

Description of your Request

Your letter indicates you will operate an employer-related scholarship program called X.

The purpose of X is to promote and encourage educational efforts of eligible dependents of Y associates, employees of franchised properties of Y and dependents of employees of franchised properties. A dependent is defined as and limited to children, step children or adopted children of eligible associates and employees.

As a means of promoting and encouraging educational efforts, you will award scholarships annually to eligible dependents of Y associates, employees of franchised properties and dependents of employees of franchised properties. Scholarship recipients will receive a lump sum amount of c dollars toward the academic school year. You will award no more than b scholarships but this number may vary based on limitations as set forth by the percentage test in Revenue Procedure 76-47.

In all instances, the grant recipients are selected on an objective and non-discriminatory basis. You represent that no grant will be awarded to any disqualified person with respect to you for a purpose that is inconsistent with the purposes describe in Section 170(c)(2)(B) of the code and that no person connected with either you or the selection committee will derive a private benefit either directly or indirectly from the selection of any individual grant recipient.

Applicants must be a high school senior, college freshman, sophomore or junior pursuing an undergraduate degree. In addition, applicants must meet one of the following:

- a. A dependent son or daughter of a Y corporate associate attending school full-time for the upcoming academic year.
- b. A dependent son or daughter of an employee of a franchised Y property in the United States attending school full-time for the upcoming academic year or
- c. An employee of a franchised Y property in the United States that is one of the following
 - A part-time employee that attends college full-time
 - A full-time employee that attends college part-time or
 - A full-time employee that attends college full-time.

Dependents of associates at the Vice President level and above are not eligible to apply for scholarships.

The person whose employment makes the applicant eligible for this award must be employed by Y or a franchised Y property at the time the awards are announced. As long as this condition is met, award recipients will retain the award for the full academic term.

Scholarship applications will be submitted to an external administrator, who will collect and verify the data as well as select the award winners. There are no minimum requirements for GPA, SAT/SAT scores or a specified amount of community service or work hours in order to apply; however, an independent selection committee will evaluate the applications based on a combination of these selected criteria, community involvement or work experience, essay and verification of experiences.

Applications, ACT/SAT test scores, high school transcripts and college/university transcripts (if applicable) must be electronically uploaded to the application site. Applicants will be asked to write a brief essay about one job or community service activity that they included on the application. The applicant will be scored on this essay. Applications missing documentation or electronic verifications will not be considered in the scholarship selection process.

All awards are for one year and applied for on an annual basis. You represent that all scholarships awarded will be made directly to a qualifying educational institution, thereby showing that the recipient qualified for such scholarship.

Once the scholarships are granted, there is no requirement of continued employment and no obligation of the recipient or the parent/guardian to provide additional services to you, Y, or to any of its franchises. There is no requirement related to a course of study for the recipient and once the scholarships are granted the recipient is free to take whatever courses they desire.

Grants will be paid directly to a qualifying institution and will satisfy the reporting requirements of Section 53.4945-4(c)(5) of the regulations and any funds not used for qualifying educational purposes will be returned to you. In addition, you confirmed your understanding that if reports or other information indicates the grant proceeds are not being used for the purpose for which the grants were made that you will investigate the misuse of funds and withhold further payments. In addition, you will take all reasonable and necessary steps to recover grant funds or to ensure restoration of such funds and their dedication to the purposes the grants funds are financing.

You will maintain records on all information obtained by you to evaluate the qualifications of potential grantees, the identification of grantees (including any relationship of any grantee to you or to a director or officer of your organization), the purpose and amount of each grant, and any additional information obtained in complying with its grants administration procedures.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Revenue Procedure 76-47, 1976-2 C.B. 670, provides guidelines to determine whether grants a private foundation makes under an employer-related program to employees or children of employees are scholarship or fellowship grants subject to the provisions of Code section 117(a). If the program satisfies the seven conditions in sections 4.01 through 4.07 of Revenue Procedure 76-47 and meets the applicable percentage tests described in section 4.08 of Revenue Procedure 76-47, we will assume the grants are subject to the provisions of Code section 117(a).

You represented that your grant program will meet the requirements of either the 25 percent or 10 percent percentage test in Revenue Procedure 76-47.

These tests require that:

- The number of grants awarded to employees' children in any year won't exceed 25 percent of the number of employees' children who were eligible for grants, were applicants for grants, and were considered by the selection committee for grants, or
- The number of grants awarded to employees' children in any year won't exceed 10 percent of the number of employees' children who were eligible for grants (whether or not they submitted an application),

You represented that your procedures for awarding grants under this program will meet the requirements of Revenue Procedure 76-47. In particular:

- An independent selection committee whose members are separate from you, your creator, and the employer will select individual grant recipients.
- You will not use grants to recruit employees nor will you end a grant if the employee leaves the employer.
- You will not limit the recipient to a course of study that would particularly benefit you or the employer.

Other conditions that apply to this determination:

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures do not differ significantly from those described in your original request.
- This determination is in effect as long as your procedures comply with sections 4.01 through 4.07 of Revenue Procedure 76-47 and meet either of the percentage tests of section 4.08. If you establish another program covering the same individuals, that program must also meet the percentage test.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at::

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Holly O. Paz
Director, Exempt Organizations
Rulings and Agreements