

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

Department of the Treasury

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Release Date: 5/23/2014

Date: February 28, 2014

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND:

B= scholarship 1
C= scholarship 2
D= business 1
G= business 2
u = number
v = dollar amount
w= dollar amount
x = dollar amount
y = dollar amount
z = dollar amount

UIL:

4945.04-04

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

The information submitted indicates that scholarships are funded by you, but will be administered, supervised, and paid out by G. The name of your employer-related scholarship programs are B and C.

The purpose of B is to grant to deserving employees of D scholarships that will enable such individuals to commence or continue their studies at educational institutions. You will award scholarships on an objective and nondiscriminatory basis.

Applicants must:

- Be active regular full-time or part-time employees of D with at least six months of service prior to the application deadline date for the quarter for which the scholarship is to be awarded;
- Be employed in the US or its territories;
- Have a High School diploma or a GED equivalency certificate;
- Plan to take college credit courses through a two or four year accredited college/university approved by you and the US Department of Education;
- Be a US citizen or permanent legal resident;
- Complete and submit an online application;
- Prove financial need based on required documents such as supporting tax documents;
- List participation in a volunteer activity.

Approximately u individuals are eligible to apply annually, but you expect far fewer applications than the number of D employees. The number of scholarships awarded is roughly 10% or fewer of the eligible applicants considered by the selection committee as described in Revenue Procedure 76-47. Each recipient may receive between v and w dollars per school year but no more than x dollars over a six year period. Scholarship amounts fluctuate based on the number of recipient's credit hours. Scholarships are renewable on a quarterly basis, upon showing proof by the recipient of continued eligibility and good standing at the institution.

Applicants will qualify for an initial first semester scholarship only if they are eligible as defined above. You will select recipients based on financial need and community involvement and determine financial need by applying the "Estimated Family Contributor" (EFC) definition used in the Free Application for Federal Student Aid (FAFSA). Applicants with a score of zero EFC rank as first choices, then by score on their community involvement and responses in the application.

The purpose of C is to grant to deserving dependent children of D employees scholarships that will enable such individuals to commence or continue their studies at educational institutions. You will award scholarships on an objective and nondiscriminatory basis.

Applicants must:

- Be dependent children (e.g. claimed by employee of federal tax return) of active regular full-time or part-time D employees with at least six months of service prior to March 15 of the year in which the scholarship is to be awarded; must be employed within the US and its territories;

- Be either Seniors, those graduating high school, those receiving a home school diploma, or those receiving a GED equivalency;
- Have plans to attend a two or four year accredited college or university approved by you and the US Department of Education;
- Have a cumulative high school grade point average of 2.0 or higher;
- Demonstrate financial need by required documents, such as tax documents;
- Be a US citizen or permanent legal resident of the US;
- Complete and submit an online application;
- Submit high school transcripts showing grades and grade point average through first half of senior year along with a Federal Student Aid Report (SAR).

Government military academies and college courses taken for high school credit are not eligible for this award.

Scholarships will be y dollars per school year, and no recipient may receive more than z dollars over a four year period. Scholarships under this program are for a fixed amount and do not vary. Scholarships are renewable on a semi-annual basis, upon showing proof by the recipient of continued eligibility and good standing at the institution. You will award scholarships to 25% or fewer of the eligible applicants considered by the selection committee as described in Revenue Procedure 76-47.

Applicants will qualify for an initial first semester scholarship only if they are eligible as defined above, and you will select recipients based on prior academic performance and financial need demonstrated by required documents.

You measure financial need by applying the "Estimated Family Contributor" (EFC) definition used in the Free Application for Federal Student Aid (FAFSA) and will rank applicants with zero EFC then by grade point average.

You will publicize your programs through a variety of media, including the following: Internal company magazine, home office and store signage, Saturday morning meetings, your website, newsletters, internal communications to market and regional Managers, and major scholarship websites. Persons serving as an officer or director of G or an officer or director of you and all family members of any such person, are not eligible to apply for or receive a scholarship.

Under the terms of an agreement for both programs, you will make payments to G to fund scholarships for the employees and children of the employees of D. G will:

- Prepare and furnish application forms;
- Receive all applications;
- Determine the recipients and amount to be awarded (when applicable);
- Notify non-winners and winners of the award;
- Confirm enrollment in an educational institution;
- Make payment of the award directly to the institute;
- Supervise and investigate the use and any misuse of the grant funds.

G will select recipients utilizing the selection criteria provided by you, whereby each candidate is evaluated based on the criteria for each program described above. G has the authority to decrease, but not increase, the number or awards granted. You will have access to the online application report portal for standard reports. In addition, G will issue the following reports to you:

- Scholar spreadsheet prior to when scholars are notified;
- Scholar spreadsheet of winners to D's program managers;
- Winner spreadsheet for publication to D facilities;
- Monthly reconciliation report;
- Occasional reports on items such as student retention.

You will assume responsibility for the following:

- Specification of the eligibility guidelines;
- Providing database of D facility information, and updates as needed;
- Promoting the programs;
- Providing corporate style guidelines.

You represent that through G you will complete the following:

- Arrange to receive and review reports annually and upon completion of the selection process;
- Investigate diversion of funds from their intended purposes;
 - Take all reasonable and appropriate steps to recover the diverted funds and ensure other funds held are used for their intended purposes;
 - Withhold further payments until you obtain assurances that future diversions will not occur and that recipients will take extraordinary precautions to prevent future diversion from occurring.

You represent that through G you will maintain the following: (1) all records relating to individual scholarships including information obtained to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of scholarships described above.

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

You further represented that you will include only children who meet the eligibility standards described in Revenue Procedure 85-51, 1985-2 C.B. 717, when applying the 10 percent test applicable to employees' children.

In determining how many employee children are eligible for a scholarship under the 10 percent test, a private foundation may include only those children who submit a written statement or who meet the foundation's eligibility requirements. They must also satisfy certain enrollment conditions.

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 with 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 and cannot 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 are 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,

Director, Exempt Organizations