

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

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Date: April 17, 2014

Contact telephone number:

LEGEND

UIL: 4945.04-04

B = scholarship
C = business group
y = dollar 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

You will operate an employer-related scholarship program called B. Scholarships will be for graduating high-school seniors entering a college, university, or vocational school, to assist them in obtaining a degree in their chosen course of study. Eligible recipients will be children of employees of C companies.

B will be publicized to all employees by the following methods: bulletin boards in common areas of the plant and company office, inserts with pay-checks or stubs to all plant employees, and e-mail to all office employees. Any employee's son or daughter of one of C companies, employed for a period of at least one year, is eligible to apply, with the

following exception: any child of a member of the Executive Committee of any C companies is not eligible to apply. You will select approximately either one or two recipients each year. Each award will be y dollars for the first year of higher education and it is not renewable. You will be basing the number of annual scholarships awarded in a given year by the number of applications received. You will pay the entire scholarship even if an employee leaves a C company.

Students applying for scholarships will be required to submit a complete application with all required attachments by the deadline to your Scholarship Committee. The Scholarship Committee will review and document the qualified status of applicants and basis for students to receive an award. You will base the selection of the scholarship recipients on academic record, teacher recommendations submitted with an application, the applicant's stated purpose, extracurricular and community activities and all other relevant information provided within the application. Committee members are the only individuals who see and evaluate each scholarship and make the final determination in selecting recipients.

Upon registration at the higher education institution, the scholarship recipient should request the institution's Registrar to send a written statement of enrollment to your Scholarship Committee. You will send scholarship funds directly to that institution. At the end of the each grading period, and at the close of the period of study, the recipient will send a statement of grades to your Scholarship Committee.

The Scholarship Committee has no relationship with any employees of the C companies. They are comprised of business and education professionals that your management highly respects. You will select Scholarship Committee members based on their professional and educational achievements as well as their independence with respect to C companies as well as you. Upon need to add or replace members of the Scholarship Committee, your managers would use business networks to find a qualified individual to sit on the Scholarship Committee.

You represent that you will complete the following:

- Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded;
- Investigate diversion of funds from their intended purposes;
- Take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes;
- Withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur; and that grantees will take extraordinary precautions to prevent future diversion from occurring.

You represent that you will maintain the following: (1) all records relating to individual grants 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 grants 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).
- Using the grant 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 you reasonably believe 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), or
- The number of grants awarded to employees in any year will not exceed 10 percent of the number of employees who were eligible for grants, were applicants for grants, and considered by the selection committee for grants.

You anticipate that in some years the number of eligible applicants may be insufficient to meet the 25% test. You stated you would not draw recipients from a specific group of employees.

You further represented C companies do not maintain information related to the age or grade and graduating status of employee's children. You and C companies believe that the expense involved in making the determination of the number of children of employees that are graduating high-school seniors, entering a degree program, and are eligible for

the scholarship is not justified in light of the small amount awarded in the scholarship program. You represent your grant is not compensatory or a benefit to the employer.

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 do not meet the percentage tests, you will rely on the facts and circumstances considered in this determination as allowed by Section 4 of Revenue Ruling 86-90. If you establish another program covering the same individuals, that program must also meet the percentage test.
- This determination applies only to you and not 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.
- Funds distributed to individuals are for 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.

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