

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

Department of the Treasury

Number: **201608017**
Release Date: 2/19/2016

Employer Identification Number:

Contact person - ID number:

Date: November 24, 2015

Contact telephone number:

LEGEND

UIL: 4945.04-04

B= Scholarship Program
C= Organization
x dollars = Amount
y 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 won't 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 a scholarship program called B. The purpose of the program is to further the education of C store-level team members who are pursuing a college degree.

You will award scholarship grants to up to 10 individuals annually provided that in no year the number of grants awarded exceeds 10 percent of the number of C's employees who are eligible for the grants, were applicants, and were considered by the Selection Committee in selecting grant recipients. You will award up to x dollars to each recipient which will be paid out in increments of y dollars per semester directly to the educational institution that the recipient is attending.

The scholarship program will be open to all C store level team members who meet your criteria. All applicants must also meet the minimum admissions standards of an educational institution defined in Section 170(b)(1)(A)(ii) of the Code. High school applicants entering a Nationally Accredited Educational Institution must:

- Have at least 1 year of service as an employee of C
- Be a full time employee of C working at least 30 hours per week or a part time employee working at least 20 hours per week
- Be enrolled in a Nationally Accredited Educational Institution before the scholarship deadline
- Have a GPA of at least 2.5
- Submit an original transcript

College applicants currently enrolled in a Nationally Accredited Educational Institution must:

- Have at least 1 year of service as an employee of C
- Be a full time employee of C working at least 30 hours per week or a part time employee working at least 20 hours per week
- Be enrolled in a Nationally Accredited Educational Institution as a freshman or sophomore
- Have a GPA of at least 2.5
- Submit an original transcript

You will distribute a memo to all C store level employees announcing the program and flyers with program details will be placed in each C store. You will also advertise the program on C's intranet. You will be clearly identified as the grantor of awards under the program Scholarship applications will be available to all C store level team members working at least 30 hours per week full time or 20 hours per week part time..

Scholarship program recipients will be selected based on prior academic performance, performance on tests designed to measure ability and aptitude for higher education, demonstrated motivation and character, and financial need. If selected, a recipient must remain enrolled at a Nationally Accredited Educational Institution and maintain a GPA of at least 2.5. Proof the GPA must be submitted to you each semester. When scholarships are awarded, there will be no express or implied suggestion, condition, or requirement that the recipient render future employment services to C. Once awarded, a scholarship may not be terminated because the recipient's employment with C is terminated. If the scholarship is awarded for one or more academic years, any renewal must be based solely on non-employment related criteria (with respect to C).

The Selection Committee will be comprised of three independent individuals who are not connected in any way to C, former employees of C, you, or any organizer of you. Members of the Selection Committee should be knowledgeable in the area of education. The Selection Committee shall have the exclusive right to vary the amount of scholarships awarded under the program and you must make awards in the order recommended by the Selection Committee. You may reduce, but not increase, the

number of scholarships to be awarded through the program. All applicants will be anonymous to the Selection Committee.

The Selection Committee will have the right to revoke or withhold any monetary award not yet paid if the recipient does not maintain a GPA of at least 2.5 or if the recipient does not provide timely proof of enrollment and GPA. Recipients may appeal to the Selection Committee in the event that circumstances put a monetary award in jeopardy.

You represent that you will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, you will investigate diversions of funds from their intended purposes and take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds are used for their intended purpose, and withhold further payments until you obtain grantees' assurances that future diversion will not occur. You also represent that you will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants.

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), or
- The number of grants awarded to employees in any year won't exceed 10 percent of the number of employees who were eligible for grants, were applicants for grants, and were considered by the selection committee for grants.

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 don't 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. 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've 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,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements