

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Release Number: **201623015**

Release Date: 6/3/2016

Date: March 11, 2016

Department of the Treasury

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

C= Organization
d 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

Your letter indicates you will operate an employer-related scholarship program. The purpose of your scholarship program is support the higher education of eligible applicants. You will award scholarships to dependents of C employees to pursue undergraduate studies at accredited post-secondary educational institutions and/or technical schools.

Your scholarships will be publicized through C's internal employee communications such as newsletters, posters, and the internal intranet website for employees as well as on C's external website. Eligible applicants who apply for scholarships must provide you with documentation evidencing their age and status as a dependent of an employee. The determination of age and proof of relationship will be based on the same eligibility criteria

required to be enrolled in certain fringe benefit plans offered by C to employees. Eligible applicants must also reside in the United States.

Scholarship recipients will be selected from all eligible applicants who submit the electronic application. Recipients will be selected based on grade point average, participation in extracurricular activities, economic need, community involvement, and work and internship experience. You will require official transcripts for proof of GPA and reports from C's human resources department to confirm that applicants are eligible dependents of employees. Scholarships are not renewable. Previous recipients must reapply if they would like to be selected for another scholarship. The maximum amount of any scholarship will not exceed d dollars. The scholarship amount may vary on a scholarship by scholarship basis and will be determined by the Scholarship Selection Committee.

All scholarships will be paid directly to the institutions the recipients will be attending with instructions to apply the scholarship funds only if the students are enrolled full-time. The educational institutions will be instructed to return any scholarship funds if a student is not enrolled full-time or has withdrawn from the school.

The Selection Committee will be appointed by your Board and will be made up of individuals who are not employees or former employees of C. The individuals will not be members of your board and will otherwise be independent of you, your organizer, and C. The members of the Selection Committee will be knowledgeable in the education field. Relatives of members of the Selection Committee or of your officers, directors, or substantial contributors are not eligible for scholarships.

You represent that you will comply with the seven conditions set forth in Revenue Procedures 76-47, 1976-2 C.B. 670, and 80-39, 1980-2 C.B. 772, which apply to inducement, selection committee, eligibility requirements, objective basis of selection, employment, course of study, and other objectives. In addition, each year you will award scholarships to either (1) 25% or fewer of the eligible applicants who were considered by the Selection Committee in selecting recipients of scholarships in that year, or (2) 10% or fewer of the number of employees' children who can be shown to be eligible applicants in that year, whether or not they submitted an application. In applying the limitation based on 10% of eligible applicants, you will utilize written statements included in the records maintained by C's human resources department. In order for dependents between 19-24 years of age to be eligible for certain travel benefits, the employee must register the dependent and affirmatively indicate the dependent is enrolled in a post-secondary educational institution. You will use the number of registered student dependents between 19 and 24 years of age in applying the 10% limitation to verify the number of employee's children show can be shown to be eligible applicants.

You represent that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) 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, and 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 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 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 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