

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

**Department of the Treasury**

Number: **201829024**  
Release Date: 7/20/2018

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date: April 23, 2018**

**LEGEND**

UIL: 4945.04-04

B = Name  
C = Employer Name  
D = Website  
E = Organization  
k = Number  
m dollars = Amount  
n 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**

This letter supersedes our letter dated March 27, 2018. 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 an employer-related scholarship program known as B, the purpose of which is to support the children and dependents of associates of C and its subsidiaries. The scholarship is applied to tuition, fees, books, supplies and equipment required for course load at accredited two or four-year colleges, universities, vocational or technical schools within the United States. The number of scholarships awarded will not exceed

250 annually, with the scholarship amounts ranging between m dollars and n dollars. The scholarships are not renewable. B is publicized on D. In addition, B is publicized to all associates using your philanthropy document. The number of eligible scholarship applicants each year will not exceed 25% of the number of full-time associates of C and its subsidiaries. The current number of full-time associates is approximately k.

Applicants must meet all the following criteria to be eligible for a scholarship:

- Be a high school senior or currently enrolled college student attending an accredited institution or program for the applicable academic year.
- Be the son, daughter or legal dependent of a full-time qualifying associate who has completed at least one full year of service with C or its subsidiary.

An independent selection committee, E, evaluates the applications and selects the recipients based on the following criteria:

- Financial need
- Community involvement
- Academic achievements and records
- Recommendations
- Only one eligible child or dependent of each associate is permitted to be selected annually.

E is solely responsible for evaluating the applications and selecting the recipients. No personnel, benefactors, supporters, substantial contributors, etc. of C and its subsidiaries are involved in the selection process.

Upon receipt of applications from individuals who are applying for a scholarship for the first time, the application will first be reviewed to make sure that the individual applying meets the eligibility criteria, then once determined, these applications will be put into the pool of applicants.

Upon receipt of applications from individuals who are applying for a scholarship in a subsequent year, applications will be automatically be placed into the pool of applicants without prejudice and without review of eligibility requirements, since any eligibility criteria was reviewed and met in the initial year they applied for the scholarship.

The combined pool of applicants, made up of previous scholarship recipients and first-time scholarship recipients will then be submitted to E.

Scholarships are paid directly to the educational institution whereby the school will apply the funds only for students who are in good standing. E provides you with two accountings of distributed scholarships funds at 90 and 180 days after initial disbursement. The educational institutions provide a reconciliation of students account once enrollment reaches the point of full liability. Educational institutions must adhere to a refund/disbursement procedure mandated by federal law. If a scholarship recipient is

no longer enrolled or not in good standing, the educational institution returns the scholarship funds to E, who then returns them to you. You will maintain appropriate records and case histories of all recipients of scholarship grants.

Furthermore, the policies and procedures adopted to govern the scholarship are designed to ensure that the scholarship functions exclusively are in furtherance of charitable and educational purposes. The policies and procedures include the following:

- Scholarships are paid directly to the educational institutions and applied towards tuition, fees, book, supplies and equipment required for course load.
- Only one eligible child or dependent of each associate is permitted to be selected annually.
- You use E as an independent third-party selection committee.

#### **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 either the applicable percentage tests described in section 4.08 of Revenue Procedure 76-47 or relevant facts and circumstances, we will assume the grants are subject to the provisions of Code Section 117(a).

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 relevant facts and circumstances to ensure the primary purpose of

the program is not to provide extra compensation or other employment incentive and the primary purpose is to educate recipients in their individual capacities.

You represented that you provide scholarships to attend an educational institution to children or dependents of associates of C and its subsidiaries without regard to either the 25% limitation or the 10% limitation described in Revenue Procedure 76-47. Instead, you will award grants based on facts and circumstances that demonstrate that the grants will not be considered compensation for past, present, or future services or otherwise provide a significant benefit to C and its subsidiaries. In particular:

- You will use an independent selection committee whose members are separate from you, your creator, and C and its subsidiaries to select individual grant recipients.
- You will not use grants to recruit associates nor will you end a grant if the associate leaves the employer.
- You will make prior recipients automatically eligible without regard to any employment status.
- Your selection criteria are based upon objective standards that are completely unrelated to employment with C and its subsidiaries.
- You will not limit the recipient to a course of study that would particularly benefit you or C and its subsidiaries.
- C and its subsidiaries currently employ close to k associates. The number of associates whose children will be eligible to apply for scholarships is sufficiently large and open-ended so as to constitute a "charitable class."

**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 either the applicable percentage tests described in section 4.08 of Revenue Procedure 76-47 or relevant facts and circumstances. If you establish another program covering the same individuals, that program must also meet the percentage test or relevant facts and circumstances.
- 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,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements