

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Release Date: 1/11/2019

Employer Identification Number:

Date: October 16, 2018

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B= Name

C= Employer

D= Number

E= Date

F= 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

Your letter indicates you will operate an employer-related scholarship program called B for the employees of C.

The purpose of B is to provide scholarships to fund qualified educational expenses for dependent children (biological, legally, adopted, step-child, etc.) of C's employees. The terms of the scholarship and courses of study for which scholarships are awarded must meet all applicable requirements of Section 117 of the Internal Revenue Code, as amended, and the regulations thereunder, and any other applicable revenue laws

Your current intention is to annually award renewable scholarships of x dollars and non-renewable scholarships of y dollars to top ranking students entering or continuing in a bona fide degree program at an accredited institution. These amounts may change depending upon available funds and/or the number of applicants.

You are contracting with F who is a third party to independently administer B, including the application and selection process as well as verification of the usage of funds and attendance at accredited institutions. Both C's and your directors, officers, employees do not have influence on the decision of which applicants are awarded scholarships.

You will insure that B is publicized through C's corporate communications media including C's weekly electronic newsletter and on C's intranet. C's intranet page will include overview documents describing B and an application request form which will be available in multiple languages. F may also have information about B on its website.

To be eligible, applicants must be:

- A dependent child of an employee of C who is under the age of D as of E in the award year for which he or she seeks an award.
- A high-school senior planning to pursue full-time study at an accredited institution offering a two-year or four-year degree program (or equivalent outside the U.S.) or a student with at least one semester of studies remaining until graduation who is currently enrolled full-time in an accredited institution offering a two year or four-year degree.

To apply for a scholarship, interested applicants must email a completed application request form demonstrating their eligibility to F by a specific due date. Upon receipt of the application request form, F will send eligible applicants a link to your online Scholarship Application form. Eligible applicants must submit your standard application form, academic transcripts, a personal essay describing their study plans, your financial need disclosure form, and letters of reference.

All applications will be reviewed by an independent selection committee comprised solely of employees of F not affiliated with C. The selection committee will discuss the merits of each application and then evaluate, rank and then choose the finalists and alternates for the awards based on objective, non-discriminatory, merit-based criteria including:

- Academic ability and achievements, including class rank and grade point average,
- Extra-Curricular activities,

- Strength of the applicant's statement of study plans and reference letter, and
- Demonstrated leadership and community service.

Finalists and alternates are also reviewed for financial need based on a financial need form submitted with each application

The selection committee will award the scholarships to the top applicants, with a percentage of scholarships awarded to the top candidates who demonstrate financial need based on information submitted with the application package.

No directors, officers or employees of C will serve on this committee or otherwise influence it or be involved in determination of its composition. Members of the selection committee will not be able to receive a private benefit, directly or indirectly, if certain potential recipients are selected over others. As to officers, directors, or substantial contributors being eligible for awards under the program, their children will be eligible, however, measures are in place to ensure that all scholarship awards are made without any bias because F, a third party independent administrator manages the entire program, including application intake and review, selection of recipients, and oversight of use of scholarship funds.

The selection committee is the sole determiner of the number of scholarships awarded annually. The number of scholarships awarded will vary annually depending upon how many applications are received, however, the number of awards shall be limited to no more than 25% of the eligible student applicant considered in each year. Once the selection committee has made its recommendation as to the number of scholarships to be awarded in a year, no one else has authority to increase that number.

All recipients are required to sign and submit a Terms of Agreement document to F agreeing to certain requirements and obligations before receiving the scholarship. In addition, the procedures for supervising the scholarships include that the recipients submit the following to F: 1) a completed proof of enrollment form (with acceptable proof of enrollment attached, including : a letter of verification from the academic institution, a copy of the a receipt acknowledging receipt of tuition by the institution, and a copy of the recipient's official class schedule), 2) an annual academic progress report (to be completed, in part, and signed by the recipient's Academic Adviser from his or her enrolled institution) for renewals, and 3) an official grade report or transcript (or suitable alternative from an academic adviser) reflecting academic progress. Scholarships may terminate or be suspended for noncompliance with program requirement, violation of laws' regulation, failure to maintain satisfactory scholastic standing or to complete assigned university courses or other work required of a scholar, material changes in program of study without approval, engaging in unauthorized income-producing activity, misrepresentation in application or related program forms, and other actions considered detrimental to the program. Recipients are also obligated to notify F in the event of discontinuing studies.

F will maintain case histories with the supporting documentation for the recipients of scholarships, including their names, addresses, purposes of the awards, amounts, manner of selection and any applicable relationships to C and/or any relationships to an officer, trustee, director or donor.

You will check the OFAC List of Specially Designated Nationals and Blocked Persons for names of individuals and entities with whom you are dealing to determine if they are included on the list. You will comply with all statutes, executive orders, and regulations that restrict or prohibit persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by OFAC. If necessary, you will acquire from OFAC the appropriate license and registration where necessary.

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 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.
- The effective date for this approval is October 2, 2017.

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