

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

Department of the Treasury

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Date: May 13, 2019

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

X= Scholarship Fund
H= Affiliated companies

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 X.

Your purpose is to make distributions for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

The purpose of X is to provide educational scholarships to the lineal descendants of employees of H by selecting qualified individuals to receive grants to advance their education.

Lineal descendants include, but are not limited to, children, step-children, adopted children and grandchildren of eligible employees of H. An eligible employee is one that has completed one (1) year of continuous full-time service with H prior to the date the

scholarship will be awarded. Eligibility is not based upon the employee's position (job title) within H nor is it conditioned upon the employee's continued employment with H.

All students who have graduated from high school and plan to attend an accredited post-secondary educational institution are encouraged to apply for a scholarship. All students are considered regardless of their sex, race, age, color, national origin, religion, marital status, handicap, veteran status or parental status.

The post-secondary educational institution must be accredited by the North Central Association of Colleges and Secondary Schools or an equivalent as determined by the Scholarship Committee.

The Scholarship Committee consists of five community representatives who are separate and independent from H.

The size of the scholarship award will be determined by the Scholarship Committee based upon the annual employee contributions in the year preceding the deadline date for applications.

The number of scholarship awards will be dependent upon the number of students who are eligible or who apply for an award. In each year, the number of awards will not exceed the lesser of: (i) twenty-five percent (25%) of the number of students who are considered by the Scholarship Committee; or (ii) ten percent (10%) of the number of individuals who can be shown to be eligible for the awards. If more than one scholarship award is granted in a given year, each award will be in identical amounts.

In any year that the percentages tests are not met, awards will not be granted, and the funds will accumulate for the following year.

Each award is granted for a one (1)-year period with possible renewals. Awards do not automatically renew. Students must reapply every year. When reapplying, a student recipient in a prior year will be considered eligible even if the student's Employee sponsor is no longer employed by H.

X is communicated through Employees' newsletters, mailings to Employees' homes, company bulletin boards, presentations at Employees' meetings, inserts in Employees' checks, news releases to the media, and any other reasonable form of communication. In all communications, the scholarship will not be portrayed as an independent incentive, a recruitment device or as additional Employee compensation.

Selection is based on financial need, scholarship, recommendations, test scores, class ranking and extra-curricular involvement.

The application requests:

1. A one-page essay detailing the applicant's high school years (or if re-applying, post-secondary years) and activities, as well as plans for the future. The essay should include extra-curricular activities such as school-related, community, sports, work and or/religious involvement.
2. Copy of the applicant's most recent Form 1040.
3. Copy of the applicant's college acceptance letter (graduating seniors).
4. Copy of the applicant's most recent high school or college grades, showing all years attended.
5. Two (2) letters of recommendation - one from a teacher and one from an individual who is not a teacher or a relative.

Applicants are rated based on:

- Academic performance
- Scholastic records
- Grade point average
- Extracurricular activities
- Community activities
- Financial need
- Full-time status
- Personal interview
- Essay designed to show the applicant's motivation, character, ability and potential

Students will provide the Scholarship Committee a progress report at the end of the first quarter or semester of the academic year and at the end of the academic year. The progress report must include a copy of the student's grade card or transcripts for the academic year and a short letter summarizing the student's progress and the importance of the award to the student's academic progress. In renewing an award, the items provided will be considered.

The Scholarship Committee shall maintain the following records for each scholarship grant awarded:

- a. Statement of the objective and non-discriminatory procedures used to select recipients;
- b. Adequate information regarding each applicant, including all information that the Scholarship Committee secures to evaluate the qualifications of the applicant;
- c. Identification of the applicant;
- d. Specification of the award amount and demonstration of the IRC § 117 purposes for which the award was used (qualified tuition and related expenses);

- e. Verification of the appropriate publication of the scholarship award program and results; and
- f. Information which the Scholarship Committee obtains regarding follow-up investigation, including follow-up reports required from all recipients.

Scholarship funds will be disbursed to the educational institution which the award recipient is attending.

The Scholarship Committee will investigate any misuse of funds and withhold further payments to the extent possible if the Scholarship Committee does not receive a required report, or if reports or other information indicate that grant proceeds are not being used for the purpose for which the grants were made. The Scholarship Committee will take all reasonable and necessary steps to recover grant funds, or to ensure restoration of the funds and their dedication to the purposes the grant funds are financing.

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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements