

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **202132010**
Release Date: 8/13/2021

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: May 18, 2021

LEGEND

UIL: 4945.04-04

X= Name
Y= Name
Z= Name

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 program is to provide scholarships for children of employees of X (and its subsidiaries and affiliates) for study at a college, university or vocational school. The scholarship grant must only be used to fund the cost of tuition and course-related fees, books, supplies and equipment at the two-or four-year college, university or vocational-technical school. All scholarships will be made on an objective and non-discriminatory basis and without regard to race, religion, national origin or gender. No scholarship grants will be made for a purpose that is inconsistent with your charitable and educational purposes. You further indicated that you will not make individual grants directly. Specifically, you will periodically make grants to the Scholarship Charity, which is

exempt from tax under IRC Section 501(c)(3) and classified as a public charity under Code 509(a).

To publicize the availability of the scholarships and solicit applications for the program, you will utilize X interoffice communications and website. Additionally, you will be clearly identified as the grantor of the scholarships.

To be eligible for an award, qualified individuals will consist of those individuals (i) who are the dependent children, under the age of , of part-time (minimum 20 scheduled hours per week) or full time employees of X worldwide who have a minimum of one year employment with X as of the application deadline date, (ii) who are in their final year of upper secondary school/high school or are current undergraduate students and (iii) who plan to enroll in fulltime undergraduate study at an accredited two-or four-year college, university (or equivalent) or vocational-technical school for the entire upcoming academic year. Depending on the availability of funding, in the future you may provide scholarships for graduate-level degree programs. You may also adjust the minimum employment requirements, provided that in no case that the minimum employment period will exceed three years.

No scholarships will be made (i) to your substantial contributors, (ii) to members of your Board of Directors, (iii) to your officers, (iv) to any disqualified person with respect to you within the meaning of Code Section 4946, (v) to any member of the selection committee, (vi) to senior managers of X (as determined by you from time to time in accordance with X's employee grade system), or (vii) to any family members of any of the persons listed in clauses (i) through (vi) above.

You will determine the number and maximum amount of scholarships for each cycle based on the availability of funds. In accordance with Revenue Procedure 76-47, 1976-2 C.B. 670, the Scholarship Charity will limit the number of grants to 25 percent of the number of employees' children who, (i) were eligible, (ii) were applicants for such grants, and (iii) were considered by the selection committee in selecting the recipients of grants in that year. Available grants may be awarded on a worldwide basis or, provided there are enough qualified applicants, to different geographical regions in proportion to the number of applications received from each region.

Applicants will directly submit their applications detailing their academic backgrounds and proposed plans of study to the Scholarship Charity. The Scholarship Charity will then verify eligibility of applicants and will ask you to confirm relevant employment information. All eligible applications will then be reviewed by an independent selection committee whose members will be appointed by the Scholarship Charity. The Scholarship Charity is also responsible for replacing selection committee members, and will determine the criteria for committee membership and the method of replacing committee members. Further, the Scholarship Charity will ensure members will be independent of both you and X and will not include any individual who would derive a private benefit, directly or indirectly, if certain potential scholarship grant recipients are selected over others.

To select the recipients, the selection committee may consider academic performance, demonstrated leadership and participation in school and community activities, work experience, a statement of career and educational goals and objectives, unusual personal or family circumstances, an outside appraisal, and/or an essay. The selection committee in the future may also consider financial need and other sources of support for an applicant. The selection committee will make recommendations to the Scholarship Charity who will then make final determinations as to the grant recipients as well as inform all applicants of their decision regarding their application. The Scholarship Charity will also require each individual who is awarded a scholarship to acknowledge and agree to abide by the terms of the scholarship grants, including all restrictions on the use of the scholarship funds, before the funds are disbursed.

All scholarship grants will have a -year term. A recipient may reapply to the program for the following year if the recipient has complied with the terms of the prior grant and is otherwise eligible in accordance with the initial qualifying criteria, provided however, that an otherwise eligible renewal applicant will not be considered ineligible for subsequent grants to complete the degree program for which funding was initially awarded on the basis that his or her family member is no longer employed by X. Renewal of grants awarded in prior years will not be considered in applying the 25% limitation on new awards.

Concerning payment of funds, for recipients in the countries of Y and Z, the Scholarship Charity will pay funds directly to the applicable educational institution and will direct the educational institution to apply the funds to only the qualifying expenses of the recipient while payment of scholarship grants in other countries will be paid directly to the individual recipient upon verification of enrollment.

The Scholarship Charity will specifically:

- Inform all applicants of their decision regarding their application.
- Direct the educational institution to apply the funds only to qualifying expenses of the individual recipient where the funds are paid to an educational institution.
- Obtain reports of courses taken and grades received by each scholarship recipient. Such reports must be verified by the educational institution attended by the grantee and must be provided by each recipient upon completion of the period for which the scholarship was provided and, in any event, no less frequently than annually
- Review required reports from recipients and will take reasonable steps to investigate any potential misuse of the scholarship grant funds.

If the reports submitted by recipients or other information (including a failure to submit reports) indicates that scholarship grant funds may not have been used in accordance with the terms of the scholarship, the Scholarship Charity will initiate an investigation and will withhold any further payments until it has determined that no part of the scholarship grant has been used for improper purposes and any delinquent reports have been submitted.

If the Scholarship Charity determines that any part of a scholarship grant has been used for improper purposes, the Scholarship Charity will (i) notify you, (ii) take all reasonable and appropriate steps to recover the diverted funds and insure the appropriate use of any remaining grant funds held by the recipient, and (iii) make no further payments or awards to the recipient unless it has received the recipient's assurances that future diversions will not occur and has required the recipient to take extraordinary precaution to prevent future diversions from occurring.

The Scholarship Charity will also maintain and retain complete records relating to all scholarship grants for a period of four years after each scholarship grant is awarded or declined. The Scholarship Charity will report to you periodically as well as make these records available to you at any time. These records will include:

- All information the Scholarship Charity secures to confirm the eligibility of applicants and evaluate the qualification of potential scholarship grant recipients.
- The identity of each scholarship recipient, the amount of the scholarship grant, and the expenses funded by the scholarship grant.
- The identity of each rejected applicant and the basis for any determination of ineligibility.
- The reports received from each scholarship grant recipient.
- Any information which the Scholarship Charity obtains in investigating a possible diversion of scholarship grant funds; and
- Any other information required to be maintained by applicable law or regulation.

You and the Scholarship Charity 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. The Scholarship Charity will check the OFAC List of Specially Designated Nationals and Blocked Persons for names of foreign individuals and entities with whom it is dealing to determine if they are included on the list before paying over any grant funds.

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. Those 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