

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

Department of the Treasury

Date: July 27, 2021

Employer Identification Number:

Number: **202142015**
Release Date: 10/22/2021

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

A= General Scholarship Program
B= Scholarship Sponsor
C= Company 1
D = Company 2
E = Company 3
F = Local Affiliates
G = Area of the United States

Dear _____ :

You asked for advance approval of your 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 scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding 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 provide in Code Section 117(b))

Description of your request

Your letter indicates you will operate a scholarship program called A.

Your purpose is to offer scholarship annually to graduating high school seniors.

The purpose of A is to award scholarships to graduating high school seniors to attend an accredited college or university to help them pursue studies and develop careers that

The scholarship grants amount has been fixed to \$, this amount will remain at this level until total foundation distributions fall below the % minimum distribution requirement prescribed by the Internal Revenue Service. The scholarship grant is to assist with the cost of tuition, books and supplies required to attend the accredited college or university for a full-time student. A does not offer a renewal.

Scholarship funds are distributed directly to the college or university that the recipient will be attending. Scholarship funds are not distributed directly to the recipients. The Director or Financial Aid at each school is instructed to make the funds available to be applied towards tuition, books, supplies and equipment required for courses. One half of the scholarship amount (\$) is available for the first semester and the other half (\$) is available for the second semester.

The college or university is instructed with the following guidelines:

1. If the student does not attend classes at the beginning of the semester, the scholarship amount will be refunded to the Foundation.
2. If the student drops out of school after the date, the college will follow their standard refund policy.
3. If the student transfers to a different college or university, any unused funds will be returned to the foundation.

The criteria for eligibility to apply for the A scholarship program are:

- a. The applicant must be a graduating high school senior that will be attending an accredited college or university as a full-time student.
- b. The applicant must be a child or grandchild or a member level customer at an B B and their corresponding member level requirements are:
 1. C & D - \$ in annual business
 2. E & F \$ in annual business
- c. The applicant must be a resident of G.
- d. There must be an B location within a -mile radius of the applicant's primary residence.
- e. Employees of the B are not eligible for this scholarship.

The number of annual grants is determined by the number of B that are participating in any given year. One scholarship is awarded from each physical location of participating sponsors. A do not require recipients to perform services after receiving the awards.

Each B store location has an advisory board that appoints a selection committee each year consisting of at least three, but no more than five persons that include:

- a. A leading farmer in the community
- b. A prominent professional or businessperson in the community
- c. A high school Superintendent, Principal or Counselor in the community

The store location's Manager will serve as the Secretary of the Committee but does not have voting rights. Each selection committee reviews the scholarship applications for their location and selects the scholarship recipients based on the following criteria:

- a. Interest in furthering his/her education in fields that benefit rural life
- b. Participation and leadership in school, church and community activities
- c. Reputation for good citizenship and moral character
- d. Financial need, income and willingness to work
- e. Satisfactory academic progress

There is no term limit requirement for members of the selection committee, they can serve for many years if willing. However, the advisory board has the ability to replace members of the selection committee on an annual basis. Each scholarship sponsor location has an annual meeting where location members will vote to appoint advisory board members. Only members of each scholarship sponsor are eligible to serve on the advisory boards.

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 the provisions of 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).

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 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.

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

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

Department of the Treasury

Date: July 27, 2021

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

- A= Employee Scholarship
- B= Companies 1 and 2
- C= Company 3
- D= University's Agriculture School

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 A.

Your purpose is to offer scholarship annually to graduating high school seniors that are children of employees of B & C.

The purpose of A is to award _____ total scholarships each year to the children of the employees of B & C. _____ to children of employees of B and _____ to children of _____

employees of C. The scholarship will assist the student with costs of tuition, books and supplies required to attend any accredited college or university for a full-time student.

The scholarship grants amount has been fixed to \$, this amount will remain at this level until total foundation distributions fall below the % minimum distribution requirement prescribed by the Internal Revenue Service. The scholarship grant is to assist with the cost of tuition, books and supplies required to attend the accredited college or university for a full-time student. A does not offer a renewal.

The scholarship application of A is available online. Letters and emails are sent to all company employees several times annually to let them know the requirements and deadline for submitting a scholarship application. Information about the scholarship is published in B & C employee's websites. Eligible applicants can submit an application beginning and the deadline for submissions is

The criteria to be used for eligibility criteria include:

- a. The applicant must be a graduating high school senior that will be attending an accredited college or university as a full-time student.
- b. The applicant must have a minimum ACT score of .
- c. The applicant must be a child of an employee of B and C.
- d. The employee must have worked for a minimum of year.

The criteria used to select recipients include:

- a. Academics
- b. Financial need
- c. Community Service
- d. Participation and leadership in school, church and community activities
- e. Recommendations
- f. Realistic academic goal

There are two selection committees one for employees of B and one for employees of C.

- A. B selection consists of two rounds. In the first round, all applications are evaluated by a professor of the D. Based on the criteria to select recipients, the top applicants are selected and move on the second round. The top candidates are then evaluated by the Employees of B selection committee that consists of B board members that are appointed by the full B board of directors. Each member of the committee ranks the eight candidates from to based on the same criteria. The rankings are turned into the Foundation Secretary/Treasurer who tallies the scores and the top scores are awarded the scholarships. The Board of Directors must be members of the cooperative and are elected by the membership to serve for years terms. No employees or former employees are allowed to serve on the selection committee.
- B. C is in the process of setting up a third party that is totally independent of the company to select the employee scholarship winners. No employees or former employees will be allowed to serve on the selection committee. The independent

selection committee will use the criteria identified to select recipients to determine the scholarship winners.

Scholarship funds are distributed directly to the college or university that the recipient will be attending. Scholarship funds are not distributed directly to the recipients. The Director or Financial Aid at each school is instructed to make the funds available to be applied towards tuition, books, supplies and equipment required for courses. One half of the scholarship amount (\$) is available for the first semester and the other half (\$) is available for the second semester.

The college or university is instructed with the following guidelines:

4. If the student does not attend classes at the beginning of the semester, the scholarship amount will be refunded to the Foundation.
5. If the student drops out of school after the date, the college will follow their standard refund policy
6. If the student transfers to a different college or university, any unused funds will be returned to the foundation.

In addition, the recipient must complete a form to confirm where they will be attending school by the middle of in order for the fall scholarship amount to be sent to the correct school. In , the recipient must complete a second form that indicates their plans for the Spring semester. On the form, they must indicate if they are staying at the same school, planning to transfer or will no longer be attending school. This form must be completed before the spring semester payment is made to the school.

Less than 25% of the eligible applicants are awarded scholarships, occasionally there may be more than 25% of applicants that are awarded scholarships due to the number of eligible student applications. The foundation does not have the ability to identify the total number of high school seniors whose parents are employees of one of the Scholarship Sponsors, they are unable to satisfy the 10% test. The grants are neither compensatory nor a significant benefit to the particular employer for the following reasons:

- a. The scholarship program is not used to recruit employees or induce them to continue employment.
- b. For B scholarships, the first round of selections is made by a professor from D who is totally independent from the company. The second round of selections is made by members of Board of Directors of B, none of these board members are employees or former employees of B. For scholarship of C the selection committee is a third party, totally independent from C.
- c. Public announcement of the awards will be made by the foundation.
- d. The scholarships are awarded solely upon the recommendations of the selection committees.
- e. The number of scholarships is fixed at nine, has not been changed for many years and there is no intent to change the number for future years.
- f. The applicant must have a minimum ACT score of to qualify for the scholarship. The selection committees are instructed to use objective written selection criteria for evaluation and scoring of candidates. The selection criteria

- include academic performance, financial need, community service, participation in school, church and community activities, leadership roles, recommendations from teachers and a realistic academic goal
- g. The scholarship will not be terminated if the parent of the recipient terminates employment.
 - h. When the scholarship is awarded, there is no requirement that the parent of the recipient is expected to render future employment services.
 - i. There is no required course of study for the scholarship program.
 - j. No employee of former employee of B & C is allowed to serve on the selection committees.
 - k. The scholarship amount is \$ which is a small percentage of the total cost of attending a college or university.

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 61, 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
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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.

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