



**Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities**
P.O. Box 2508
Cincinnati, OH 45201

Date: 04/03/2023

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Number: 202326024

Release Date: 6/30/2023

LEGEND

B = Number

C = Number

D = Number

E = Business Name

F = Business Name

y dollars = \$

z dollars = \$

UIL: 4945.04-04

Dear :

You asked for advance approval of your employer-related scholarship procedures under Internal Revenue Code Section (IRC) 4945(g)(1). You requested approval of your scholarship program to fund the education of certain qualifying students.

This approval is required because IRC Section 4945 provides for the imposition of taxes on each taxable expenditure of a private foundation. IRC Section 4945(d)(3) provides that the term "taxable expenditure" includes any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or similar purposes by the individual, unless the grant satisfies the advance approval requirement of IRC Section 4945(g).

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 IRC Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

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 IRC Section 117(b)).

Description of your request

Your letter indicates you will operate a program to award scholarships to dependents of E's employees who plan to enroll in full-time undergraduate study at an accredited two- or four-year college, university, or vocational-technical/polytechnical institution. Dependents include biological, step-, or legally adopted children of E employees who are years of age or under and who live in the employee's household or are primarily supported by the employee. B annual awards in the amount of y dollars will be awarded to dependents of employees in the , C annual awards in the amount of y dollars will be awarded to dependents of

employees in _____, and D annual awards in the amount of z dollars will be awarded to dependent of employees in the _____. You will publicize the scholarship program through your website and email communications to E employees.

Eligibility criteria includes:

- a. Dependent child who are age _____ or under of a full-time E's employee in the _____ or _____ or a full-time or part-time E's employee in _____
- b. High school senior/in final year of upper secondary school, high school/upper secondary school graduate, or current undergraduate student
- c. Plans to enroll in full time undergraduate study at an accredited two- or four-year college, university, or vocational-technical/polytechnic institution for the entire upcoming academic year

The scholarship program will be administrated, supervised, and conducted by F, an independent third-party administrator. Selection criteria includes:

- a. Academic performance
- b. Demonstrated leadership and participation in school and community activities
- c. Statement of career and educational goals and objectives
- d. Unusual personal and family circumstances
- e. An online recommendation
- f. Financial need

The scholarships are renewable up to three additional years or until an undergraduate degree or equivalent is earned, whichever occurs first. Renewal awards must be used in consecutive years. Recipients must maintain academic performance and remain in good standing at the undergraduate institution. Continued parental employment by E will not be required for renewal.

F will obtain and review recipient's transcripts on an annual basis and will provide an annual report to you including applicant statistics, recipient list, and other data. Awards for recipients in the _____ will be paid directly to the institutions after verification of enrollment. Awards for recipients _____ of the _____ will be paid to the recipients after confirmation of enrollment and cost of attendance.

If the terms of the award are violated due to failure to remain enrolled and in good standing, the recipient will be ineligible for a renewal award and F may pursue a refund request depending on the institution's refund policy.

The selection committee is comprised of F's Senior Manager, Lead Program Manager, and the Program Manager.

Your officers and directors are also employees of E and their dependent children are eligible to apply for the scholarship award but your officers and directors have no influence over the selection process.

You represent that you will complete the following:

- Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,
- Investigate diversion of funds from their intended purposes,
- Take all reasonable and appropriate steps to recover the diverted funds and ensure other grant funds held by a grantee are used for their intended purposes, and
- Withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversion from occurring.

You also represent that you will:

- Maintain all records relating to individual grants including information obtained to evaluate grantees,
- Identify a grantee is a disqualified person,
- Establish the amount and purpose of each grant, and
- Establish that you undertook the supervision and investigation of grants described above.

Basis for our determination

IRC Section 4945 imposes excise taxes on the taxable expenditures of private foundations. 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 IRC 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 IRC Section 117(a).
- The grant is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).

Revenue Procedure (Rev. Proc.) 76-47, 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 IRC Section 117(a). If the program satisfies the seven conditions in sections 4.01 through 4.07 of Rev. Proc. 76-47 and meets the percentage tests described in Section 4.08 of Rev. Proc. 76-47, we will assume the grants are subject to the provisions of IRC Section 117(a).

You represented that your grant program will meet the requirements of either the 25% or 10% percentage test in Rev. Proc. 76-47. These tests require that:

- The number of grants awarded to employees' children in any year won't exceed 25% 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% 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% 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 Rev. Proc. 85-51, when applying the 10% test to employees' children.

In determining how many employee children are eligible for a scholarship under the 10% 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 Rev. Proc. 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 if your procedures comply with Sections 4.01 through 4.07 of Revenue Procedure 76-47 and 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 IRS at:

Internal Revenue Service
Exempt Organizations Determinations
TE/GE Stop 31A Team 105
P.O. Box 12192
Covington, KY 41012-0192

- You can't 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 IRC 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'll make this determination letter available for public inspection after deleting personally identifiable information, as required by IRC Section 6110. We've enclosed Letter 437, Notice of Intention to Disclose - Rulings, and a copy of the letter that shows our proposed deletions.

- If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us.
- If you agree with our deletions, you don't need to take any further action.

Please keep a copy of this letter in your records.

If you have questions, you can contact the person shown at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Letter 437

