



Date:
02/03/2026
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:
Fax:

Release Number: 202618018
Release Date: 5/1/26

LEGEND

B = Company
C = Foundation
D = Number
x dollars = dollar amount

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 scholarship program to provide academic scholarships to help defray the costs of tuition to dependents of employees of B.

You will make scholarships available to dependents of B. You will set aside a percentage of your annual budget for awarding scholarships and will consider all applicants who meet eligibility criteria.

You will publicize the scholarship program via internal emails to all employees, as well as through notices and postings that include a link to the application. All such communications will specifically identify you as the grantor of the funds.

You awarded D scholarship grants in year 2025 to dependents of full-time employees of B for courses at schools or accepted for credit at schools recognized under IRC Sections 509(a)(1) and 170(b)(1)(A)(ii). Grants awarded in 2025 were x dollars per recipient. Recipients qualify for scholarships up to four times, consecutively or until they turn 26 if they can provide proof of enrollment. Approved recipients receive funding for a single year but are eligible to reapply under the same terms available to all eligible applicants. There is no set number of individuals who are eligible to apply annually.

You have partnered with C to establish an independent selection committee to determine recipients of the scholarships. No members of the selection committee or their relatives will be eligible to apply for your scholarship grants.

Disbursement of scholarship funds are made payable via check to the institution where the individual is enrolled and directed to the tuition of the student. If the check is returned or not deposited within 90 days, you will contact the employee to confirm enrollment of their dependent. If an award is violated, the recipient is prohibited from receiving future scholarships from you.

Your eligibility criteria will be based on the following:

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- a) Dependents of full-time, permanent employees of B.
- b) Applicant must be enrolled in 2- or 4-year colleges or technical/vocational schools.
- c) Applicant must be between the ages of 18 and 25 at the time of applying.
- d) Applicant must not have received funding for more than three years.
- e) Applicant must maintain a 2.0 GPA and be in good standing with the educational institution.

Your selection criteria will be based on the following:

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- a) Applicant's educational journey.
- b) Applicant's engagement in community.
- c) Applicant's volunteer activities.

Facts and circumstances test

You represented that you provide scholarships to attend an educational institution to children of employees of a particular employer without regard to either the 25% limitation or the 10% limitation described in Revenue Procedure 76-47. Instead, you will award grants based on facts and circumstances that demonstrate that the grants will not be considered compensation for past, present, or future services or otherwise provide a

significant benefit to the employer, but rather the grants' primary purpose is to educate recipients in their individual capacities.

Your scholarship program is a product of your mission and commitment to removing barriers to entry for post-secondary education and training in the communities in which B operates. Awarding scholarships to dependents of B employees allows you to implement your scholarship program efficiently and effectively, achieving its greatest impact. While you are not relying on the 25% limitation or the 10% limitation described in Revenue Procedure 76-47, your program demonstrates multiple facts and circumstances to demonstrate that its purpose is to support the education of the scholarship recipients rather than provide a significant benefit to B, as evidenced below.

- a) Independent selection committee. You have engaged C, a community foundation, unrelated to either you or B, to serve as an independent selection committee, reviewing applications, and approving scholarship recipients.
- b) Renewal of scholarships is not contingent on employment. Awards are renewable for up to four years and continued employment is not a condition of renewal.
- c) Selection is based on objective, non-employment-related criteria, including factors such as how the applicant's educational journey will be impacted by the award or the applicant's accomplishments (i.e. engagement in community and volunteer activities), which is consistent with your grant program's purpose of enabling educational opportunities.
- d) Number and Amount of Grants. The number and amount of the grants is small. While you are unable to estimate the number of eligible applicants, in the first year of the program only D grants were awarded for x dollars each. The x dollars scholarship amount in 2025 was intentionally chosen by your board because it would be impactful to applicants for whom the cost of attendance, even at lower cost programs, may otherwise be a barrier to education. For example, at community colleges or vocational programs, if there are not sufficient funds to provide grants to all eligible applicants, you will first prioritize grants to students at lower cost educational programs and then those that have not previously received awards. This maximizes the number of students pursuing educational opportunities in your community who will benefit from your scholarship program.

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 you provide scholarships to attend an educational institution to children of employees of a particular employer without regard to either the 25% limitation or the 10% limitation described in Revenue Procedure 76-47. Instead, you will award grants based on facts and circumstances that demonstrate that the grants will not be considered compensation for past, present, or future services or otherwise provide a significant benefit to the employer, rather the grants' primary purpose is to educate recipients in their individual capacities.

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 or the fact and circumstances test of Section 4.08. If you establish another program covering the same individuals, that program must also meet the percentage tests for the facts and circumstances 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.

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, 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, Letter 4792- Redacted