

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

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B = Program
C = Company
D = Company
E = Company
f = Number
g dollars = Amount
h dollars = Amount

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

You will operate an employer-related scholarship program called B.

The purpose of B is to assist the children of C employees who plan to continue their education in college or vocational school programs.

B will provide educational scholarship awards to high school seniors or graduates or current postsecondary undergraduates who plan to enroll in full-time undergraduate study at an accredited or bona fide college, university or vocational-technical school for the entire academic year. The scholarships are available to individuals of all C employees worldwide and may include individuals in both the United States and other foreign countries.

You anticipate publicizing B through C's website. Solicitation or announcement materials have yet to be developed.

This scholarship program is administered by a third-party vendor, D, which is a division of E. The scholarships will be awarded on an objective and nondiscriminatory basis. Awards are granted without regard to race, color, creed, religion, sexual orientation, gender, disability or national origin. D has well established recipient selection criteria including the consideration of academic performance, demonstrated leadership and participation in school and community activities, honors, work experience, a statement of career and educational goals and aspirations, unusual personal or family circumstances and an outside appraisal. All information received is considered confidential and is reviewed only by D.

Interested students must complete the application and mail it along with a current, complete transcript of grades and any other required documents to D. Grade reports are not acceptable. Unofficial transcripts must display student name, school name, grade and credit hours earned for each course, and term in which each course was taken. Applicants will receive an email acknowledging receipt of their application.

Applicants must meet all of the following criteria:

- Be dependent children, age 26 and under, of full-time C employees who have a minimum of one year employment with the company as of the application deadline date. (Dependent children are defined as biological, step or adopted children living in the employees household or primarily supported by the employee.)
- Be high school seniors or graduates or current postsecondary undergraduates. Students outside the United States must be in their final year of upper or higher secondary school or be current technical or university level students.
- In year one of the program, there will be no GPA requirement. After year one, applicants must have a minimum grade point average of 2.7 on a 4.0 scale (or its equivalent).
- Plan to enroll in full-time undergraduate study at an accredited college, university or vocational-technical school for the entire academic year.

- Children of C's directors, general managers, executives, vice presidents, board members, and foundation board members are ineligible to apply.

Due to differences in educational systems, applicants from countries other than the United States must provide the following materials:

- English translations for all non-English documents
- Clear photocopies of the following educational documents:
 1. Students currently or previously enrolled in an institution of higher education (college, university, vocational or technical school) must include the following documents:
 - a. academic record (transcript of grades) for all higher education course work completed, and
 - b. secondary school credential/diploma/certificate.
 2. Current secondary school students and students who have completed less than one year of higher education (college, university, vocational or technical school) must include the following documents:
 - a. academic record (transcript of grades) for air secondary education course work completed during the past three years, and
 - b. results of academic examinations.

Applicants are responsible for gathering and submitting all necessary information. Applications are evaluated on the information supplied. Incomplete applications will not be evaluated.

Provided there are qualified applicants, recipients from outside the United States and Canada will be selected in proportion to the number of applicants. Academic evaluation of international applicants will include a review of the grade/mark average based on the grading system used in the applicant's country, a review of the results of academic examinations, school cost and government subsidy information. Financial need will not be considered.

The foundation anticipates awarding f new awards each year. Awards are renewable up to three years or until a bachelor's or vocational degree, or equivalent, is earned, whichever comes first. Renewal is contingent upon maintenance by the student of at least a 2.7 GPA (or equivalent) in a full-time course of study at an accredited institution, continued employment of the student's parent with C and your continuation of the program.

Initially, the authorized distribution for new awards will be g dollars with up to f awards of h dollars each. D processes scholarship payments on behalf of you in one installment. Checks are mailed to the home address of each recipient and are made payable to the school for the student. The award checks will be issued in United States currency. Scholarships will be awarded on a per semester basis for an academic year.

Recipients have no obligation to you. They are, however, required to notify D of any changes in address, school enrollment, or other relevant information and to send a complete transcript when requested.

D will perform the administration of the program including: receipt and processing of applications, review of submissions, determination of eligibility, selection of recipients, notification to all applicants, payment of awards, as well as customer service to students, parents, school officials, and other stakeholders.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) 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 represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

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.

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,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements