

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

Department of the Treasury

Number: **201721023**
Release Date: 5/26/2017

Employer Identification Number:

Contact person - ID number

Date: March 3, 2017

Contact telephone number:

LEGEND

UIL: 4945.04-04

B= Name
C= Employer
D= Name
E= Number
F= Time period
G= Subject

x 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

Your letter indicates you will operate an employer-related scholarship program called B for United States based employees of C. As part of your charitable activities, you currently operate an academic scholarship program for the children of United States based employees of C called D, which was approved in your determination letter.

The purpose of B is to assist children of United States based C employees and its affiliates to attend a qualified post-secondary institution of their choice and pursue any course of study they choose. The term "children" includes the natural and adopted children, stepchildren, and legal wards of the employee for whom the employee is financially responsible. The term "children" also includes those natural and adopted children, stepchildren, and legal wards of the employee's spouse or domestic partner for whom the employee is financially responsible. You anticipate that the maximum amount of each scholarship for B will be x dollars.

You will distribute announcements of the scholarships to C employees. It is your policy that any announcement of the scholarships offered under B will clearly show you as the grantor of the scholarship awards.

To be eligible for B, applicants must be children of active, full-time, regular, employees of C (excluding members of C's Board of Directors, its Officers, and members of your Board of Directors or administrator) as of the date of the scholarship award. Applicants for B must also be incoming first year, full time post-secondary students. In addition, the employee must have been employed by C for F prior to the date of the scholarship award.

You anticipate that there will be a single application for B and D except applicants for B must answer an additional essay question focusing on G to be eligible for consideration. An eligible applicant who responds to the additional essay question will be considered for both B and D (assuming that his or her application is otherwise complete), although the applicant will only be awarded one scholarship under either of the programs. A completed application requires attachments such as an essay, standardized test results, financial information including relevant tax returns of their parents and the student aid report from FAFSA, sealed copies of transcripts and recommendations.

The Scholarship Review Committee which is comprised of individuals totally independent and separate from you and C will choose the recipients of all scholarships under B and D as well as determine the amounts that are awarded to each scholarship recipient. The Scholarship Review Committee members are currently selected by an independent third party which is an operating unit of an organization that has been recognized by the IRS as a public charity. The Scholarship Review Committee consists of current or former financial aid officers, college admission officers and educational professionals. If there is a vacancy on the Scholarship Review Committee, the third party selects a qualified individual to fill the vacancy. In no event will any employee or former employee of yours or C serve on the Scholarship Review Committee.

The Scholarship Review Committee will use objective selection criteria including financial need, academic promise, and qualities of leadership, general promise, and moral and civic character as well as the additional essay question of G to award scholarships under B. An eligible applicant who chooses not to answer the additional essay question will be eligible for only D. (Assuming that his or her application is otherwise complete). No

member of the Scholarship Review Committee will be in a position to derive a private benefit, directly or indirectly, if certain potential grantees are selected over others.

You will permit the renewal of a scholarship awarded to a student attending a college or university for up to three years after the initial year while you will permit the renewal of a scholarship awarded to a student attending a vocational or technical school for one year after the initial year. Once awarded, a scholarship granted will not be terminated if the recipient's parent (or stepparent or guardian, as the case may be) is no longer employed by C.

When determining whether to renew a student's scholarship, the Scholarship Review Committee will consider the student's satisfactory progress toward a degree (or certification) as shown by the student's transcript and continued display of good moral and civic character and general promise. At a minimum, a student must maintain a cumulative "B" average, which is a grade point average of 3.0 on a scale of 4.0, or an equivalent average on any other scale. If a student does not maintain a cumulative "B" average, the Scholarship Review Committee may deny renewal of such student's scholarship, unless the student petitions the Scholarship Review Committee and presents evidence of severe hardship or extenuating circumstances. In such cases, the Scholarship Review Committee may, in its discretion, consider whether this justify renewal of the student's scholarship.

You will pay a student's scholarship in full at the beginning of the school year directly to the educational institution the student is attending for credit to the student's account; provided, however, that the educational institution first agrees to only use the funds to defray the student's tuition and fees. An applicant must be accepted by the qualified post-secondary institution of his or her choice prior to payment of the grant. A scholarship shall be terminated when the scholarship recipient ceases to be an enrolled student at the approved institution. Any unused portion of a terminated scholarship must be refunded to you by the educational institution the student is attending according to its normal policy regarding tuition refund.

You will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, 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 diversions from occurring.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether 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.

Concerning Revenue Procedure 76-47, B will not be used by you or C as an inducement to recruit or retain employees. Once awarded, a scholarship granted will not be terminated if the recipient's parent (or stepparent or guardian, as the case may be) is no longer employed by C. The total number of scholarships awarded in any year will not exceed 25% of the number of employee's children who were eligible for such scholarships, who applied for such scholarships, and were considered by the Scholarship Review Committee in selecting the recipients of grants in that year, in keeping with the 25% test of Section 4.08 of Rev. Proc. 76-47, 1976-2 C.B. 670 (the "25% test"). You anticipate that up to E scholarships will be awarded each year under B and that the balance of the scholarships permitted under the 25% test will be awarded under D.

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.

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,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements