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

Department of the Treasury

Release Number: **201517020**
Release Date: 4/24/2015
Date: 1/27/2015

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

M = Scholarship Program
N = Organization
P = Organization
Q = Amount
R = Organization
S = Number
X = State
Y = Number
Z = Organization

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 M.

© 2006-2020, CPC Holdings, LLC. All rights reserved.

The purpose of M is to provide scholarships to deserving students who are members of N. N is a 501(c)(5) organization with in excess of 360,000 members. Up to S awards in the amount of Q will be awarded annually. Employees and children of employees of P, its subsidiaries, affiliates, and/or sponsoring organizations, as well as of R, are eligible applicants. Employees must have a minimum of one year of employment as of the application deadline date. There are currently 24 organizations that are subsidiaries, affiliates, and sponsoring organizations of P. P, R, and N will publicize scholarship materials in company publications. The M will not be used by P, any subsidiaries, affiliates and/or sponsoring organizations of P, or the R, to recruit employees or induce employees to continue their employment.

Applicants must be high school seniors, graduates, or current postsecondary undergraduates enrolled or planning to enroll in a full time accredited program at a two or four year college, university, or vocational-technical school located in the state of X, which constitutes an educational organization described in section 170(b)(1)(A)(ii) of the Internal Revenue Code.. Applicants must have a minimum grade point average of Y.

Recipients of M will be selected based upon standards that are unrelated to the employment of the recipients' parents or the line of business of R, P, and any subsidiaries, affiliates, and/or sponsoring organizations of P. Additionally, courses of study of recipients are not limited to those that would be of a benefit to R, P, and any subsidiaries, affiliates, and/or sponsoring organizations. The selection criteria will include past academic performance, future potential, leadership, participation in school and community activities, work experience, and a statement of career and educational goals and objectives. Financial need will not be considered.

When an M grant is awarded, there will be no requirement that the recipient or parent is expected to render future employment services to R, P, or any subsidiaries, affiliates, and/or sponsoring organizations. The grants are not automatically renewable, but applicants may re-apply for grants for up to three successive years or until a bachelor's degree is earned, whichever is first. The standards for re-application will be based solely on non-employment related factors.

You have entered into an agreement with Z to administer M. Z is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code and has been classified as a publicly supported organization. Under the terms of the agreement, you will make annual contributions to Z to fund scholarships. Z will prepare and furnish application forms, receive all applications, determine the recipients, notify the recipients of the award, confirm enrollment in an educational institution, and make payment of the award. Z will publicize the M by providing a publicity blitz to guidance counselors. Z will choose the selection committee and it will be made up of individuals who are knowledgeable in the education field and who have the background and knowledge to properly evaluate the potential of applicants. The selection committee will be totally independent and separate from R, P, and any subsidiaries, affiliates, and/or sponsoring organizations of P. Z will also obtain reports that determine whether the grant recipient has performed the activities that the grant was intended to finance and Z will investigate any possible misuse of funds

© 2006-2020, CPC Holdings, LLC. All rights reserved.

by the recipient , withhold any further funds during the investigation if a misuse is discovered, and seek the recovery of any misused funds.

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

© 2006-2020, CPC Holdings, LLC. All rights reserved.

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.

© 2006-2020, CPC Holdings, LLC. All rights reserved.

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,

Director, Exempt Organizations

© 2006-2020, CPC Holdings, LLC. All rights reserved.