

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:****Date: 1/20/2015****LEGEND****UIL: 4945.04-04**

X= Scholarship program
Y= Company
Z= Third-party
b= Number
c= Number
d dollars = Dollar amount
e= Number
f = Number
g dollars = Dollar 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 will not 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 X and will award scholarships for post-secondary education.

Grants will be made to eligible domestic and international employees of Y and their eligible dependent children as well as eligible employees of qualified employees of truckload contract carriers of Y and their eligible dependent children. You will award up to f scholarships of g dollars each academic year to pay tuition at qualified post-secondary institutions in order to assist the students who receive the scholarships to pursue their educational studies. The amount of each scholarship may be adjusted in the future for inflation. Y has over b employees and over c carriers.

Consistent with the requirements of Revenue Procedure 76-47, as clarified by Revenue Procedure 81-65, you will publicize your scholarship program by:

- An announcement by you to all employees of Y
- An announcement by you to carriers for forwarding to their employees
- One or more press releases by you
- Brief announcements and descriptions of your program, including scholarship and application availability and announcements that scholarships have been awarded on the Y website and social media site with links to your website or social media sites for more detailed information
- Inclusion of such brief announcements and descriptions of the Foundation's Program in regular electronic communications to all employees (which take the place of a Company newsletter)
- A link on your website to the website of Z, which through its division, has contracted with you to manage certain aspects of your scholarship program for you. Certain program information and application materials will be posted on the Z website. You and/or Z will make announcements of the awards, and in all cases, you will be clearly identified as the grantor of the awards

Applicants must meet all of the following criteria:

- Be high school seniors or graduates or be 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.
- Plan to enroll in full-time undergraduate study for the applicable academic year at an accredited or bona-fide college, university or vocational-technical school that normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on, except that Y employees are eligible to be enrolled part-time. Grant recipients may pursue any field of study. Awards are for undergraduate study only.

- Satisfy one of the following requirements:
 - (i) Be regular full-time employees of Y with at least one year of employment with Y as of the application deadline date; or
 - (ii) Be dependent children, age 24 and under, of full-time Y employees with at least one year of employment with Y as of the application deadline date; or
 - (iii) Be regular full-time employees of a carrier with at least one year of employment with the carrier as of the application deadline date; or
 - (iv) Be dependent children, age 24 and under, of full-time carrier employees with at least one year of employment with the carrier as of the application deadline date.

For purposes of this requirement, "dependent children" means biological children, stepchildren, and adopted children living in the employee's household or primarily supported by the employee.

You will use standard Z recipient selection procedures including the consideration of academic performance, demonstrated leadership and participation in school and community activities, work experience, a statement of career and educational goals and objectives, unusual personal or family circumstances and an outside appraisal. 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 and a review of the results of academic examinations. You will not consider financial need. If a sufficient number of qualified applicants are present, recipients from outside the United States and Canada will be selected in proportion to the number of eligible applicants.

Awards are not renewable, but students may reapply to your scholarship program each year they meet the eligibility requirements.

You have authorized d dollars in scholarships of g dollars each for each academic year, provided there is a sufficient number of eligible recipients. You intend that e scholarships will be awarded each year to Y employees or their children and e scholarships will be awarded each year to carrier employees or their children. If there are not enough qualified applicants in either group, awards could be allocated to the other group in order to award f scholarships for the year, subject to following limitations:

- (a) The number of grants awarded in any year to children of Y employees does not exceed 25 percent of the number of Y employees' children who (i) were eligible, (ii) were applicants for such grants, and (iii) were considered by Z in selecting the recipients of grants in that year;
- (b) The number of grants awarded in any year to children of Y employees and children of carrier employees combined does not exceed 25 percent of the number

of such children who (i) were eligible, (ii) were applicants for such grants, and (iii) were considered by Z in selecting the recipients of grants in that year; and

(c) The number of grants awarded in any year to Y employees does not exceed 10 percent of the number of Y employees who (i) were eligible, (ii) were applicants for such grants, and (iii) were considered by Z in selecting the recipients of grants in that year.

Checks are made payable to the educational institutions, and Z verifies enrollment with the respective educational institutions.

Z will require scholarship recipients to agree to submit at the end of each academic year a report verified by the educational institution of the student's courses taken and grades received in each academic period. You or Z will review such reports for compliance. In the event that you or Z discovers a violation in the terms of the grant, they will take reasonable steps to recover the funds.

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 properly supervise and investigate grants.

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 will not 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 do not 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 have 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,

Director, Exempt Organizations