



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45201

Date:
09/14/2022
Taxpayer ID number:

Person to contact:

Release Number: 202249015
Release Date: 12/9/2022

LEGEND

UIL: 4945.04-04

T = club
U = city
V = number 1
W = number 2
x dollars = amount
Y = number 3
Z = number 4

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 an employer related scholarship program. Your purpose is to help employees and their families in academic endeavors and deserving organizations and individuals outside the gates. The scholarship program is primarily funded by individual contributions from members of T.

The purpose of this program is to promote higher education in the U community by awarding scholarships to assist students. You award between V and W scholarships up to x dollars each year. Funds are paid directly to

the qualifying educational institution annually. Awards are not renewable, but recipients are eligible to reapply each year that they are able to satisfy the eligibility requirements.

The program is publicized through newsletters, bulletin boards, and presentations during employee meetings at T as well as through local community organizations. General eligibility criteria includes the following:

- Be a high school senior or college freshman, sophomore, or junior
- Attend an accredited postsecondary institution, including a university, a two and four year college, or technical school.

For an employee or their dependent to be considered for a scholarship, the employee must also have been employed by T for a minimum of six months as of the application deadline. It is expected that approximately Y employees and Z dependents of employees will be eligible to apply annually.

The scholarships are not used as a means to recruit employees for T. Once the scholarship is granted, there is no obligation of continued employment, or for the recipient or their parent/guardian to provide services to T.

Application forms are available at the business center of T, or by requesting the form from the management of T. Applications are accepted throughout the year. Applications must be accompanied by a letter of recommendation, the applicants most current transcript, and a copy of the tuition bill showing a list of courses being taken and the students identification number.

Your scholarship committee consists of persons who are independent of you or T. Recipients are selected on an objective and nondiscriminatory basis. You represent that no grants are awarded to disqualified persons or for any purposes inconsistent with your mission. No individuals associated with you, T, or the selection committee will derive a private benefit either directly or indirectly from the selection of any individual scholarship recipient.

The independent selection committee evaluates applications based on:

- Academic performance and achievements
- Participation and leadership in extracurricular activities
- Participation in volunteer and community activities
- Recommendations by faculty, school administrators, coaches, or community leaders
- Financial need
- An essay as to why the applicant values the scholarship grant
- Motivation and character exhibited in a personal interview

You represent that you will receive reports from grantees on their current school standing at the end of each school year. You will take all necessary steps to recover any scholarship funds not used appropriately. You will also withhold future payments to any recipient in the event of any of the following:

- Any amount of the scholarship is used for purposes other than tuition, fees, books or expenses related to the academic program
- The student fails to maintain a 3.0 GPA (on a possible 4.0 basis); or
- The student is expelled, asked to leave the educational institution, or voluntarily abandons his or her studies.

You represent that you will maintain records of all information obtained in your evaluation of the qualifications of each applicant, the identification of recipients, and the purpose and amounts of each scholarship.

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 the provisions of 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).

Other conditions that apply to this determination

- This determination only covers the scholarship 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.
- The effective date of our approval is _____, which is the date your request was submitted.
- 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 scholarships 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 scholarship 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.

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