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

Date:
05/30/2025
Taxpayer ID number:

Person to contact:

Release Number: 202534012
Release Date: 8/22/2025

LEGEND
B= Name
C= Organization
Program D = Name
E = Company
F = Location
G = Number
Program H = Name
x dollars = dollar amount

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1). You requested approval of your scholarship program to fund the education of certain qualifying students.

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 scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of IRC Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Additionally, 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)).

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 two programs under IRC Section 4945(g)(1) entitled B which will be administered by C, an independent third-party. You currently anticipate that B will be run for only one year, but you may choose to extend the program for additional years.

Program D
The purpose of your Program D, which is limited to those persons who are employees of E, is to support the pursuit of further education by these employees by enabling the recipient to pursue a degree (undergraduate or post-graduate), certification, or other form of study at an accredited two-year or four-year college, university or vocational-technical institution, or other educational institution described in IRC Section 170(b)(1)(A)(ii). Employees may also attend certain colleges located in F.

Scholarships awarded by you under Program D will be awarded on an objective and nondiscriminatory basis. If you do not meet the 10% test as described in Revenue Procedure 76-47 each year, you will still meet the facts and circumstances test provided therein.

Program D will be promoted through internal E communications. Under Program D, you anticipate that you will award up to G scholarships. Each scholarship will be up to x dollars and must be used for qualified tuition and related expenses, in accordance with IRC Section 117(b)(2). The scholarship amount will be reduced for a particular student to the extent that such student's qualified tuition and related expenses are less than x dollars.

To be eligible to receive a scholarship under Program D, the applicant must:

- Be a high school senior or student in his or her final year of upper or higher secondary school, be a graduate, current undergraduate, or graduate level student
- Plan to attend, for the entire upcoming academic year for which the applicant is applying for a scholarship, an accredited two-year or four-year college, university or vocational-technical institution, or other educational institution described in IRC Section 170(b)(1)(A)(ii). Applicants may also attend certain colleges located in F
- Be a current employee of E for at least 90 days prior to applying for Program D and working an average of at least 30 hours per week

Applicants will be selected to receive scholarship grants based on their demonstrated past academic achievement and the promise of future academic success. Specifically, applicants must demonstrate qualities of good citizenship, leadership, and community service. Applicants will be asked to provide one or more short personal essays. Other factors that will be considered include the applicant's prior academic performance, extracurricular activities, and unusual personal or family circumstances. There will be no requirement or expectation that recipients of Program D will commit to work for, or render services to or for the benefit of E.

C will select the recipients of Program D by weighing all the information and data submitted by each applicant and evaluate each applicant based on the quality of his or her responses to, and/or satisfaction of, the selection criteria stated above. You or E will have no influence over the selections under Program D, however, you will have the ability to reduce the total number of scholarships awarded.

You provide scholarships to those who reside in the United States and to those who reside internationally. You will comply with all United States statutes, executive orders and regulations that restrict or prohibit U.S. persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by the Office of Foreign Assets Control (OFAC).

The terms and conditions of the scholarship grants will be contained in a grant letter sent to each recipient. The recipient will be required to communicate his or her acceptance of the scholarship grant, as well as agreement to the attendant terms and conditions, by way of a written acceptance letter to C. The terms and conditions of each scholarship grant will include the amount of the award; the name of the school to be attended by the grant recipient; and your right to revoke the grant at any time upon the occurrence of various disciplinary actions by the recipient.

No scholarship grant shall be for more than one academic year. Individuals who have previously received a scholarship grant may reapply for additional scholarship grants for any year during which such individuals maintain eligibility. If an applicant is approved for a scholarship, the applicant will not be eligible to receive the scholarship funds until the applicant has enrolled in their school. A recipient will not be deemed ineligible for a renewal solely because such recipient is no longer an employee of E.

Program H

The purpose of Program H is to support the pursuit of further education by members of communities where E operates by enabling the recipient to pursue a degree (undergraduate or post-graduate), certification, or other form of study at an accredited two-year or four-year college, university or vocational-technical institution, or other educational institution described in IRC Section 170(b)(1)(A)(ii). Recipients may also attend certain colleges located in F.

Employees of E will not be eligible for Program H. Furthermore, recipients will not be required to pursue a course of study that would be of particular benefit to E, such as a course of study related to hospitality. Although Program H will be available for courses of study that are related to hospitality, it will not be conditioned on pursuing a course of study related to hospitality, nor will any preference be given to those applicants who are pursuing a course of study related to hospitality. Rather, Program H recipients will be free to pursue any course of study that they wish. Moreover, there will be no requirement or expectation that recipients commit to work for, or render services to or for the benefit of E.

Program H will be awarded on an objective and nondiscriminatory basis based on the following criteria:

• Demonstrated past academic achievement and the promise of future academic success
• Qualities of good citizenship, leadership, and community service
• Prior academic performance
• Extracurricular activities
• Quality of an applicant's responses to one or more essay questions
• Unusual personal or family circumstances

C, wholly independent of you and E, will be responsible for identifying the most qualified recipients for Program H, and you will select the recipients from those applicants identified.

Program H will be promoted through your website and other forms of public communication, such as C posting about the scholarships on social media. Any publicity provided by E will clearly state that you are the grantor of the scholarships. Under Program H, you anticipate that you will award up to G scholarships. Each scholarship will be up to x dollars and must be used for qualified tuition and related expenses, in accordance with IRC Section 117(b)(2). The scholarship amount will be reduced for a particular student to the extent that such student's qualified tuition and related expenses are less than x dollars.

To be eligible to receive a scholarship under Program H, the applicant must:

• Be a high school senior or student in his or her final year of upper or higher secondary school, be a graduate, current undergraduate, or graduate level student
• Plan to attend, for the entire upcoming academic year for which the applicant is applying for a scholarship, an accredited two-year or four-year college, university or vocational-technical institution, or other educational institution described in IRC Section 170(b)(1)(A)(ii). Applicants may also attend certain colleges located in F
• Be located in communities where E conducts operations

C will recommend the recipients for Program H to you by weighing all the information and data submitted by each applicant and evaluate each applicant based on the quality of his or her responses to, and/or satisfaction of, the selection criteria stated above. You (with the possible participation of E executives) will select the recipients of Program H from those that were recommended by C.

You provide scholarships to those who reside in the United States and to those who reside internationally. You will comply with all United States statutes, executive orders and regulations that restrict or prohibit U.S. persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by the Office of Foreign Assets Control (OFAC).

The terms and conditions of the scholarship grants will be contained in a grant letter sent to each recipient. The recipient will be required to communicate his or her acceptance of the scholarship grant, as well as agreement to the attendant terms and conditions, by way of a written acceptance letter to C. The terms and conditions of each scholarship grant will include the amount of the award; the name of the school to be attended by the grant recipient; and your right to revoke the grant at any time upon the occurrence of various disciplinary actions by the recipient.

No scholarship grant shall be for more than one academic year. Individuals who have previously received a scholarship grant may reapply for additional scholarship grants for any year during which such individuals maintain eligibility. If an applicant is approved for a scholarship, the applicant will not be eligible to receive the scholarship funds until the applicant has enrolled in their school.

You represent that you will complete the following:

- Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,
- Investigate diversion of funds from their intended purposes,
- Take all reasonable and appropriate steps to recover the diverted funds and 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 diversion from occurring.

You also represent that you will:

- Maintain all records relating to individual grants including information obtained to evaluate grantees,
- Identify 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 described above.

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).
- 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 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).

Revenue Procedure (Rev. Proc.) 76-47, 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 IRC Section 117(a). If the program satisfies the seven conditions in sections 4.01 through 4.07 of Rev. Proc. 76-47 and meets the percentage tests described in Section 4.08 of Rev. Proc. 76-47, we will assume the grants are subject to the provisions of IRC Section 117(a).

You represented that your grant program will meet the requirements of either the 25% or 10% percentage test in Rev. Proc. 76-47. These tests require that:

- The number of grants awarded to employees' children in any year won't exceed 25% 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% 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% 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 Rev. Proc. 85-51, when applying the 10% test to employees' children.

In determining how many employee children are eligible for a scholarship under the 10% 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 Rev. Proc. 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 if your procedures comply with Sections 4.01 through 4.07 of Revenue Procedure 76-47 and 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 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 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 IRC 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'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