

Private foundation; scholarship program; employer-related. For purposes of sections 117(a) and 4945(g)(1) of the Code, a private foundation's scholarship program for children of deceased or retired employees of a particular company is an 'employer-related grant program' to which the guidelines of Rev. Proc. 76-47 apply.

#### ISSUE

For purposes of sections 117(a) and 4945(g)(1) of the Internal Revenue Code, is a private foundation's scholarship program for children of deceased or retired employees an 'employer-related grant program' to which the guidelines of Rev. Rul. 76-47, 1976-2 C.B. 670, apply?

#### FACTS

The foundation is exempt from federal income tax under section 501(c)(3) of the Code and is a private foundation under section 509(a). The foundation provides scholarships to the children of deceased or retired employees of a particular employer.

#### LAW AND ANALYSIS

Rev. Proc. 76-47 applies to 'employer-related grant programs,' and provides guidelines for determining under sections 117(a) and 4945(g)(1) of the Code whether a private foundation's grant for study by an individual is a scholarship under those sections rather than a form of compensation or an employment incentive.

Section 2 of Rev. Proc. 76-47 provides that an 'employer-related grant program' is a program that treats children of some or all of the employees of a particular employer as a group from which grantees of some or all of the foundation's grants will be selected; limits the potential grantees for some or all of the foundation's grants to children of employees of a particular employer; or otherwise gives such children a preference or priority over others in being selected as grantees.

The scholarship program described above is an 'employer-related grant program' under Rev. Proc. 76-47 because it limits the potential grantees of its scholarships to children of employees of a particular employer. Because the availability of the scholarships is known to the employees while they are employed by the company, the employment relationship that causes Rev. Proc. 76-47 to apply is present even though a scholarship is available to an employee's child only after the employee is deceased or retired.

#### HOLDING

For purposes of sections 117(a) and 4945(g)(1) of the Code, a private foundation's scholarship program for children of deceased or retired employees of a particular company is an 'employer-related grant program' to which the guidelines of Rev. Proc. 76-47 apply.