

Employer-sponsored Scholarship Programs

This information is consistent with rules for IRS employer-related programs.
Office of Student Access and Completion

FACT SHEET

General Program Policies

Employer-sponsored scholarship programs for employees and or dependents of their employees follow the Oregon Administrative Rules (OAR) for Privately Funded Award Programs, Division 60 and the Oregon Tax Credit for Employers, Division 63.

A qualified dependent is an individual over half of whose support, for the calendar year in which the taxable year for the eligible taxpayer begins, was received from an eligible employee, consistent with the requirements of IRS.

<https://www.irs.gov/charities-non-profits/private-foundations/taxable-expenditures-by-private-foundations-percentage-test-employer-related-educational-loans-to-children-of-employees>

The employer and the Oregon Office of Student Access and Completion (OSAC) agree to adhere to Section 117(b) of the Internal Revenue Code and regulation, and agree employees are not being compensated for employment with such a scholarship, nor being provided an employment incentive. The scholarship should be for exclusively public purposes; its primary purpose is to educate recipients in their individual capacities. An Employee-sponsored scholarship administered by OSAC must meet the IRS guidelines for employee-related programs described below and adhere to OSAC's Percentage Test. (see column at the right).

IRS GUIDELINES FOR EMPLOYER-SPONSORED SCHOLARSHIP PROGRAMS

- The program must not be used to recruit or induce employees to continue their employment. The selection committee must be comprised of individuals totally independent and separate from the employer. The members may not be employees or former employees and should be knowledgeable in the educational field.
- Potential recipients must be able to meet the admission requirements of and attend an eligible post-secondary institution.
- Recipient selection must be based on objective standards that are unrelated to employment of the recipient or to the employer's line of work.
- Once awarded, a scholarship may not be terminated if the employee is no longer employed.
- The courses of study for which the scholarship is available must not be limited to those that would benefit the employer.
- Eligibility requirements must be related to the purpose of the scholarship program.
- If a minimum period of employment is required to qualify for the employer-sponsored scholarship, this period may not exceed three years.
- <https://www.irs.gov/charities-non-profits/private-foundations/conditions-for-approval-of-employer-related-educational-loan-programs>

OREGON TAX CREDIT (Employers may receive a 50% tax credit)

An employer participating in an Employer-sponsored Scholarship Program certified by OSAC may qualify annually for an Oregon tax credit. A Tax Credit Certification Application must be filed no later than October 1 of the calendar year for which a tax credit will be claimed. An eligible employer can be an individual, partnership, or corporation that employs at least 4 full-time equivalent employees, but no more than 250 full-time employees during the calendar year. For each year the scholarship award is disbursed, the employer may receive a credit 50% of the amount as long as the employers contribution to the scholarship fund during the calendar year for tax certification in being sought.



Percentage Test

Percentage tests are used by OSAC to ensure compliance to IRS rules and regulations that pertain to employer-related scholarship programs.

The number of awards may be at least one (1) or cannot exceed 10% of the number of **employees** who were eligible to apply for the scholarship.

The number of awards may not exceed 25% of the number of **employees' dependents** who are eligible, were applicants for the scholarship, and were considered by the selection committee; **OR**

the number of awards may not exceed 10% of the number of **employees' dependents** who could apply (this figure should include dependents that do not apply).