

Employer-sponsored Scholarship Programs

Oregon Student Access Commission

FACT SHEET 2014-15

This information is consistent with rules for IRS employer-related programs.

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.

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 S152. The employer and OSAC agree to adhere to Section 117(b) of the Internal Revenue Code and regulation, and must document that 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 using the Percentage Test (at 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.



Percentage Test

An Internal Revenue Service percentage test is used by OSAC to ensure compliance to rules and regulations regarding employer-related scholarship programs.

Number of awards may not exceed 10% of the number of employees who were eligible, were applicants for the scholarship, and were considered by the selection committee.

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.

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).