

# Employer-sponsored Scholarship Program

## Employers may qualify for the Oregon Tax Credit

Oregon Student  
Access Commission

### 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 and Business, 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 Section 152. The employer and the Commission 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 Employer-sponsored scholarship administered by the Commission must meet the IRS guidelines for employer-related programs listed below.

#### Percentage Test

An Internal Revenue Service percentage test is used by the Commission 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 were applicants for the scholarship and were considered by the selection committee; **or**

**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).

### IRS Guidelines for Employer-Sponsored Programs

An Employer-sponsored scholarship administered by the Commission must meet the following IRS guidelines for employer-related 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 employer-sponsored scholarship, this period may not exceed three years.

### 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 four 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 tax credit of 50% of the award amount as long as the employer ALSO remits a contribution to the scholarship fund during the calendar year for which tax certification is being sought.

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

A Tax Credit Certification Application must be filed with the Oregon Student Access Commission no later than October 1 of the calendar year for which a tax credit will be claimed.

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