



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

Date:
02/27/2023
Taxpayer ID number:

Person to contact:

Release Number: 202321018
Release Date: 5/26/2023

UIL: 4945.04-04

LEGEND

B = individual
C = college
F= number
g dollars = amount

Dear :

You asked for advance approval of your educational grant procedures under Internal Revenue Code (IRC) Section 4945(g)(3).

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 educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of IRC Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates you will operate a -year educational fellowship opportunity for early career academic therapists that will allow selected therapists to develop a personalized program of teaching, supervision, clinical work, and scholarship in the area of relational ethics in therapy. The program will involve monthly cohort-based mentoring and consultation from your founder, B (a professor at C), but may be with another scholar in the future. The program will also allow selected therapists to develop individualized development plans, receive personal feedback, and participate in an annual meeting with other fellows. You may refine the frequency and content of the activities in the future as you gain experience operating the program.

The number of fellows selected will depend on your budget and interest in the program, but you currently anticipate F therapists will be selected as fellows. Each fellow will receive a stipend of g dollars per year to assist with non-transportation expenses relating to attending in-person meetings. You may adjust the amount of

the stipend awarded in the future and do not plan to charge fellows to participate in the fellowship program.

You intend to publicize the fellowship program primarily through your website and through personal contact with recently licensed therapists and at educational institutions. To be eligible to apply for the fellowship, applicants must be an early career academic therapist who have earned a Ph.D. and are involved in teaching, supervision, clinical work, and scholarship. Applicants must also have an articulated plan for how to incorporate relational ethics into a career pathway. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors, are not eligible to apply for consideration.

Your Board of Directors or its designees will select fellows to participate in the program based off recommendations of the selection committee. The selection committee will consist of your designated personnel, officers, or directors familiar with evaluation of early career therapists. Fellows will be selected based on personal interviews or correspondence and confirmation that the candidates satisfy the eligibility criteria. However, if interest in the program exceeds your current capacity, you may add additional factors to be considered when selecting fellows such as prior academic performance; recommendations from instructors; financial need; and the conclusions which the selection committee might draw from a personal interview as to the individual's motivation, character, ability, and potential.

To receive a stipend, fellows must commit to attending the in-person programs. You will not pay a second annual stipend if a fellow has not been an active participant in the prior year. Since you will conduct the fellowship program directly, you will be able to monitor the fellows' participation. You may require stipend recipients provide substantiation of their use of the stipend to cover the costs of attending the fellowship's training and programming events.

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 grants 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) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii); or
- A prize or award subject to the provisions of IRC Section 74(b), if the recipient of the prize or award is selected from the general public; or
- To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulation Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

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 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.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

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

Enclosures:
Letter 437