



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Number: **200644042**
Release Date: 11/3/2006
236993/SE:T:EO:RA:T:1

Date: May 23, 2006

Contact Person:

Identification Number:

Telephone Number:

UIL No.
501.03-00

Employer Identification Number:

Dear _____ :

We have considered your ruling request regarding the federal tax consequences under section 501(c)(3) of the Internal Revenue Code of a new program to provide individual grants to hospital patients entering hospice care.

FACTS

You are a public charity affiliated with a hospital exempt from federal income tax under section 501(c)(3) of the Code. The hospital previously operated a hospice program. Donors made contributions to you to support the hospice program, although the donors understood that you did not guarantee that such contributions would exclusively support the hospice program. Although the donations were not held in a restricted fund, you have identified approximately \$250,000 in unspent donations intended to support the hospice program. Because the hospital has ceased to operate the hospice program, your Board of Directors explored alternative uses for the donations that would further the general purpose of the donors.

The Board proposed to establish a grant program for patients of the hospital who must enter hospice programs elsewhere. Your officers and directors would appoint a committee to review and oversee disbursement of the grants based on individual need and financial hardship. The committee will cause records to be kept, including the name and address of recipients, the amount distributed to each recipient, the purpose of the grants, and the relationship, if any, between the recipient and you, or your committee members, officers, or trustees.

You have submitted amended Articles of Incorporation and evidence that they have been properly filed with your state.

RULING REQUESTED

The hospice relief grant program and grants made pursuant thereto will not jeopardize your status as an organization exempt from federal income tax under section 501(c)(3) of the Code.

LAW

Section 501(c)(3) of the Internal Revenue Code provides for exemption from federal income tax for certain organizations organized and operated exclusively for religious, charitable, or scientific purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual and which does not participate in proscribed political activities.

Section 1.501(c)(3)-1(c) of the Income Tax Regulations states, in part, that an organization will be regarded as “operated exclusively” for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3).

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations states that an organization is not organized or operated exclusively for one or more of the purposes specified unless it serves a public rather than a private interest such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly by such private interests.

Section 1.501(c)(3)-1(d)(2) of the regulations provides that the term “charitable” is used in its generally accepted legal sense and includes the relief of the poor and distressed.

Rev. Rul. 56-304, 1956-2 C.B. 306, held that organizations that otherwise meet the requirements for exemption may make distributions to individuals, provided they further the purposes for which they were organized. The organizations should keep records of names and addresses of recipients, the amounts given, the purpose for which it was given, the manner in which the recipient was chosen, and relationship between the recipient and the members, officers, or trustees or substantial contributor to the organization and a corporation controlled by a grantor or substantial contributor.

Rev. Rul. 79-17, 1979-1 C.B. 193, concerns an organization, commonly referred to as a “hospice,” which operates on both an inpatient and outpatient basis to assist persons who have been advised by a physician that they are terminally ill to cope with the distress arising from their conditions. It utilizes and coordinates the professional skills of professionals such as physicians, nurses, therapists, social workers, clergy, counselors, and lawyers in a planned effort to alleviate the physical and mental distress of dying persons. This revenue ruling concludes that by alleviating the mental and physical distress of persons terminally ill, the organization relieves the distressed within the meaning of section 1.501(c)(3)-1(d)(2) of the regulations, and thus is operated exclusively for charitable purposes.

ANALYSIS

An organization that provides hospice services for the terminally ill is operated exclusively for charitable purposes. . (Rev. Rul. 79-17, *supra*). Because you can no longer support a hospice program at your affiliated hospital, your Board has found an alternative manner in which to pursue this purpose: by giving grants to individuals to pay for hospice services elsewhere. Exempt organizations may carry out exempt activities through grants to individuals, provided they meet certain recordkeeping requirements. (Rev. Rul. 56-304, *supra*.)

Your Board has amended your articles of incorporation to specifically authorize individual grants. You have represented that you will make decisions based upon individual need and financial hardship and keep the records required by Rev. Rul. 56-304.

RULING

The hospice relief grant program and grants made pursuant thereto will not jeopardize your status as an organization exempt from federal income tax under section 501(c)(3) of the Code.

This ruling will be made available for public inspection under section 6110 of the Code after certain deletions of identifying information are made. For details, see enclosed Notice 437, *Notice of Intention to Disclose*. A copy of this ruling with deletions that we intend to make available for public inspection is attached to Notice 437. If you disagree with our proposed deletions, you should follow the instructions in Notice 437.

This ruling is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Steven Grodnitzky,
Manager
Exempt Organizations
Technical Group 1

Enclosure
Notice 437