

An organization providing a residence facility and therapeutic 'group living program' for individuals recently released from a mental institution qualifies for exemption under section 501(c)(3) of the Code.

Advice has been requested whether the activities of the organization described below qualify as charitable for purposes of exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954 where the organization otherwise qualifies for such exemption.

The organization's resources are devoted to providing a residence facility and therapeutic program for rehabilitating individuals recently released from a mental institution. Such individuals frequently find the transition to independent existence in society extremely difficult. A high percentage of them become discouraged and return to the refuge offered by the mental institution. Others who are unable to cope with the responsibilities inherent in supporting themselves become wholly dependent upon their families or the local welfare agency. The organization was formed to offer an alternative to such individuals and to aid in reducing the rate of readmissions to the mental institution. The organization notifies all local mental institutions and mental health agencies of the availability of its services.

Applicants are selected on the basis of their personal and medical histories and their willingness to participate in the program. Most applicants are referred to the organization by the mental institution or the state bureau of vocational rehabilitation.

The organization has a staff of qualified personnel that counsels residents in their work and living habits and encourages them to assume responsibility for managing their own lives. This staff also trains residents and secures employment for them.

Although the organization is separately organized and operated, its staff often consults with doctors at the mental institution when problems arise in individual cases.

The residence facility serves as both a temporary residence for those who are discharged and a permanent home for those unable to make the transition to a fully independent existence in society.

The organization contracts for the employment of members and receives a direct payment for all services performed by them. Such payment is used for living expenses incurred by the group. Proceeds from a state grant are used to defray the excess costs of operating the program.

Section 501(c)(3) of the Internal Revenue Code of 1954 provides for the exemption from Federal tax of organizations which are organized and operated exclusively for educational or charitable purposes.

Section 1.501(c)(3)-1(d)(3) of the Income Tax Regulations provides that the term 'educational' includes the instruction or training of the individual for the purpose of improving or developing his capabilities.

Section 1.501(c)(3)-1(d)(2) of the regulations states that the term 'charitable' is used in section 501(c)(3) of the Code in its generally accepted legal sense.

In the general law of charity, the promotion of health is considered to be a charitable purpose. A trust for the promotion of mental health is likewise charitable. See Restatement (Second), Trusts, sec. 368 and sec. 372; IV Scott on Trusts (3rd ed. 167), sec. 368 and sec. 372. A nonprofit organization whose purpose and activity are providing hospital care is promoting health and may, therefore, qualify as being organized and operated in furtherance of a charitable purpose. Rev. Rul. 69-545, C.B. 1969-2, 117.

By training and counseling former mental patients to become self-supporting and contributing members of society, the organization is educating these individuals to improve their vocational, social, and emotional capabilities. In addition, by providing a rehabilitation program for former mental patients in the manner described above, the organization is promoting health.

Accordingly, it is held that the organization's activities are charitable and, since it otherwise qualifies for exemption, it is held that the organization is exempt from Federal income tax under section 501(c)(3) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1023, Exemption Application, in order to be recognized by the Service as exempt under section 501(c)(3) of the Code. The application should be filed with the District Director of Internal Revenue for the district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.