

Private hospital room. An otherwise qualifying organization that makes a private hospital room available to patients who can benefit medically from a private room but who cannot afford the expense of such a room is operated exclusively for charitable purposes and is exempt from tax under section 501(c)(3) of the Code.

#### ISSUE

Does an organization that makes a private hospital room available to patients, under the circumstances described below, qualify for exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code?

#### FACTS

The organization, which otherwise qualifies for exemption under section 501(c)(3) of the Code, was formed for the purpose of making a private hospital room available to patients who can benefit medically from a private room but who cannot afford the expense of such a room. A hospital, which is exempt under section 501(c)(3), recommends to the organization persons in need of a private room. The recommendation is made by the hospital staff based upon the seriousness of the patient's illness or surgery. The organization pays the hospital on the patient's behalf an amount equal to the difference between the prevailing private room charge and the amount available to the patient from his own funds, insurance, and other sources to pay for the room.

#### LAW AND ANALYSIS

Section 501(c)(3) of the Code provides for exemption from federal income tax organizations organized and operated exclusively for charitable purposes.

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations states that the term 'charitable' is used in section 501(c)(3) of the Code in its generally accepted legal sense. Such term includes the relief of the poor and distressed or of the underprivileged, and the promotion of health.

Here, the organization relieves the distress of patients by providing improved health care in the form of a private hospital room. The organization promotes health because the room provides the patients with the private and quiet conditions medically necessary to facilitate convalescence from serious illness or surgery. It relieves both the poverty and distress of patients by removing the financial burden of the private room.

#### HOLDING

An organization that makes a private room available to

patients, under the circumstances described above, is operated exclusively for charitable purposes and thus qualifies for exemption from federal income tax under section 501(c)(3) of the Code.

#### APPLICATION INSTRUCTIONS

Even though an organization considers itself within the scope of this revenue ruling, it must file an application on Form 1023, Application for Recognition of Exemption, in order to be recognized by the Service as exempt under section 501(c)(3) of the Code. See sections 1.501(a)-1 and 1.508-1(a) of the regulations.

In accordance with the instructions on Form 1023, the application should be filed with the District Director of Internal Revenue for the key district indicated therein.