

Health planning and resources development. A Health Systems Agency organized and operated pursuant to the National Health Planning and Resources Development Act of 1974 to establish and maintain a system of health planning and resources development aimed at providing adequate health care for a specified geographic area is operated exclusively for charitable purposes and qualifies for exemption under section 501(c)(3) of the Code.

'Advice has been requested whether the nonprofit organization described below, which otherwise qualifies for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1954, is operated exclusively for charitable purposes.

'The organization is organized and operated as a Health Systems Agency (HSA) pursuant to the National Health Planning and Resources Development Act of 1974, Pub. L. 93-641, 42 U.S.C. 300 k. et seq. (Act). This Act was established to facilitate the development of recommendations for a national health planning policy, to augment Federal, state, and areawide planning for health service, staff power, and facilities, and to authorize financial assistance for the development of resources to further that policy.

'To prevent unnecessary duplication of health resources, each HSA has as its primary responsibility the provision of effective health planning for a specified geographic area and the promotion of the development within that area of health services, staffing, and facilities that meet identified needs, reduce documented inefficiencies, and implement the health plan of the HSA.

'To meet its primary responsibilities, the HSA is required to carry out statutorily specified functions that include:

- gathering and analyzing suitable data;
- establishing Health Systems Plans (goals) and Annual Implementation Plans (objectives and priorities);
- providing either technical and/or limited financial assistance to people seeking to implement provisions of the plans;
- coordinating activities with Professional Standards Review Organizations and other appropriate planning and regulatory entities;
- reviewing and approving or disapproving applications for Federal funds for health programs within the area;
- assisting states in the performance of capital expenditures reviews;

-assisting states in making findings as to the need for new institutional health services proposed to be offered in the area;

-assisting states in reviewing existing institutional health services offered with respect to the appropriateness of such services; and

-annually recommending to states projects for the modernization, construction, and conversion of medical facilities in the area.

'The Health System Plan of an HSA is to be established after appropriate consideration of the recommended national guidelines for health planning policy issued by the Secretary of the Department of Health, Education and Welfare (HEW) pursuant to the Act. The Plan is a statement of goals describing a healthful environment and health systems in the area which, when developed, will assure that quality health services will be available and accessible in a manner that assures continuity of care at reasonable cost for all residents of the area.

'The HSA must have a governing board of ten to thirty members the majority of whom must be consumers and the remainder providers of health care. Board members must be residents of the health service area and the Board must include elective public officials as well as other government representatives who may be either consumers or providers of health care.

'To support its activities, the HSA receives Federal planning grants under a specified formula. In addition, the Secretary of HEW is authorized to match, within certain limits, locally generated non-federal funds. These funds may not be contributed by any person or private entity with financial, fiduciary, or other direct interest in the development, expansion, or support of health resources.

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

'Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations provides 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. Restatement (Second) of Trusts, Secs. 368, 372; Bogert, Trusts and Trustees, Sec. 374 (2d ed. 1964); IV Scott on Trusts, Secs. 368, 372 (3rd ed. 1967). See Rev. Rul. 69-545, 1969-2 C.B. 117.

Both the legislative history of the National Health Planning and Resources Development Act of 1974 and the Act itself clearly establish that Congress' objective in establishing HSA's was to

improve the health of the residents of the community by effective health planning. The following statement appears in the Interstate and Foreign Commerce Committee Report:

The proposed Committee Legislation places a number of specific requirements upon areawide health planning agencies as stated in the legislation, the purpose of these requirements include improving the general health of residents in the health area, increasing the accessibility, acceptability, continuity, and quality of health services provided, restraining increases in the cost of providing health services, and prevention of unnecessary duplication of health services. S. Rep. No. 1220, 93rd Cong., 2d Sess. 47 (1974).

'By establishing and maintaining a system of health planning and resources development aimed at providing adequate health care, the HSA is promoting the health of the residents of the area in which it functions. Accordingly, it is operated exclusively for charitable purposes and thus qualifies for exemption 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, Application for Recognition of Exemption, 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 sections 1.501(a)-1 and 1.508-1(a) of the regulations.