

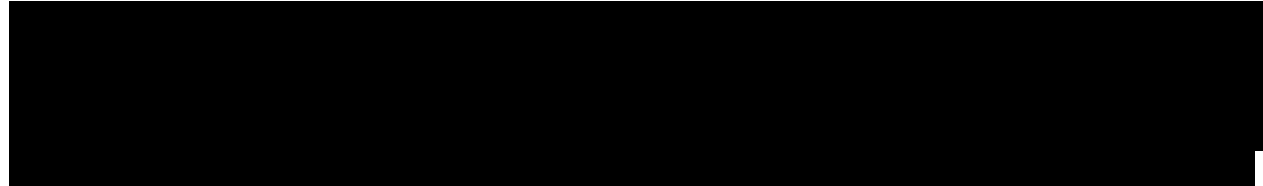


OFFICE OF  
CHIEF COUNSEL

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

July 25, 2000

Index No. 501.00-00  
Number: **INFO 2000-0189**  
Release Date: 9/30/2000



Dear [REDACTED]:

Your letter dated June 20, 2000, has been referred to our office for reply. Your letter states that you are concerned about the closing of a tax-exempt hospital in your community by its tax-exempt owner. You are concerned that the decision to close the hospital was made for financial reasons only without considering the impact of the closure on the community. Material attached to your letter notes that the state Attorney General's office is investigating the planned closure.

The following authorities apply to this situation:

- Organizations recognized as exempt from federal income tax under section 501(a) of the Code because they are described in section 501(c)(3) of the Code must operate exclusively for one or more exempt purposes. [Treas. Reg. §1.501(c)(3)-1(a)].
- An organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities that accomplish one or more of the exempt purposes enumerated in section 501(c)(3). An organization's activities will be considered permissible under section 501(c)(3) if they meet the following conditions:
  - (1) The purpose of the organization is charitable;
  - (2) The activities are not illegal, contrary to a clearly defined and established policy, or in conflict with express statutory restrictions; and
  - (3) The activities further the organization's exempt purpose and are reasonably related to the accomplishment of that purpose. (Rev. Rul. 80-278, 1980-2 C.B. 175).

- An organization must serve a public rather than a private interest. The organization must not be organized or operated for the benefit of private interest such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly by private interests [Treas. Reg. § 1.501(c)(3)-1(d)(1)(ii)].

While we cannot comment on the specific taxpayer you identify, I hope this information answers your question and I hope it is helpful to you. If you have additional questions or need further information, please contact me or Robin Ehrenberg of my staff at (202) 622-6010.

Sincerely,

Elizabeth A. Purcell  
Chief, Exempt Organizations Branch 2  
Office of Division Counsel/Associate  
Chief Counsel (Tax Exempt &  
Government Entities)