



**Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities**

Date: 10/27/2023

Taxpayer ID number (last 4 digits):

Form:

Tax periods ended:

Person to contact:

Name:

ID number:

Telephone:

Fax:

Last day to file petition with United States

Tax Court: 1/25/2024

CERTIFIED MAIL - Return Receipt Requested

Dear :

This is a final determination regarding your foundation classification. This modifies our letter dated , in which we determined that you were an organization described in Internal Revenue Code (IRC) Section 501(c)(3) further defined under 170(b)(1)(A)(iii). This letter modifies your foundation status to that of a public charity described in IRC Sections 501(c)(3) and 170(b)(1)(A)(vi), effective .

Your tax exempt status under IRC Section 501(c)(3) of the Code is not affected. Grantors and contributors may rely on this determination, unless the Internal Revenue Service publishes a notice to the contrary. Because this letter could help resolve any questions about your private foundation status, please keep it with your permanent records.

We previously provided you a report of examination explaining the proposed modification of your tax-exempt status. At that time, we informed you of your right to contact the Taxpayer Advocate, as well as your appeal rights. On , you signed Form 6018, Consent to Proposed Action – Section 7428, in which you agreed to the modification of your foundation classification to 170(b)(1)(A)(vi) and described in 501(c)(3). This is a final determination letter with regards to your federal tax-exempt status under Section 501(a).

You are required to file Form 990, *Return of Organization Exempt from Income Tax*. Form 990 must be filed by the 15th day of the fifth month after the end of your annual accounting periods. A penalty of \$20 a day is charged when a return is filed late, unless there is a reasonable cause for the delay; however, the maximum penalty charged cannot exceed \$10,000 or 5 percent of your gross receipts for the year whichever is less. In addition, organizations with gross receipts exceeding \$1,000,000 for any year will be charged a penalty of \$100 a day when a return is filed late; however, the maximum penalty charged cannot exceed \$50,000. These penalties may also be charged if a return is not complete, so be sure your return is complete before you file it.

If you are subject to the tax on unrelated business income under IRC Section 511, you must also file an income tax return on Form 990-T, *Exempt Organization Business Income Tax Return*.

If you decide to contest this determination, you may file an action for declaratory judgment under the provisions of IRC Section 7428 in one of the following three venues: 1) United States Tax Court, 2) the United States Court of Federal Claims, or 3) the United States District Court for the District of Columbia. A petition or complaint in one of these three courts must be filed within 90 days from the date this determination was mailed to you. Please contact the clerk of the appropriate court for rules and the appropriate forms for filing petitions for declaratory judgment by referring to the enclosed Publication 892. You may write to the courts at the following addresses:

United States Tax Court
400 Second Street, NW
Washington, DC 20217
ustaxcourt.gov

US Court of Federal Claims
717 Madison Place, NW
Washington, DC 20005
uscfc.uscourts.gov

US District Court for the District of Columbia
333 Constitution Avenue, NW
Washington, DC 20001
dcd.uscourts.gov

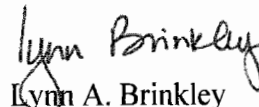
You may also be eligible for help from the Taxpayer Advocate Service (TAS). TAS is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877-777-4778.

Taxpayer Advocate assistance can't be used as substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determination, nor extend the time fixed by law that you have to file a petition in Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling.

You can get any of the forms or publications mentioned in this letter by calling 800-TAX- FORM (800-829-3676) or visiting our website at www.irs.gov/forms-pubs.

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

Sincerely,



Lynn A. Brinkley
Director, Exempt Organizations Examinations

Enclosures:
Publication 892



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities

Date:
05/01/2023
Taxpayer ID number:

Form:

Tax periods ended:

Person to contact:

Name:
ID number:
Telephone:
Fax:
Hours:
Address:

Manager's contact information:

Name:
ID number:
Telephone:

Response due date:
June 2, 2023

CERTIFIED MAIL – Return Receipt Requested

Dear :

Why you're receiving this letter

We enclosed a copy of our audit report, Form 886-A, Explanation of Items, explaining that we propose to modify your organization's foundation status under Internal Revenue Code (IRC) Section 509(a).

Your exempt status under IRC Section 501(c)(3) is still in effect.

If you agree

If you haven't already, please sign the enclosed Form 6018, Consent to Proposed Action, and return it to the contact person shown at the top of this letter. We'll issue a final letter modifying your foundation status.

If you disagree

1. Request a meeting or telephone conference with the manager shown at the top of this letter.
2. Send any information you want us to consider.
3. File a protest with the IRS Appeals Office. If you request a meeting with the manager or send additional information as stated in 1 and 2, above, you'll still be able to file a protest with IRS Appeals Office after the meeting or after we consider the information.

The IRS Appeals Office is independent of the Exempt Organizations division and resolves most disputes informally. If you file a protest, the auditing agent may ask you to sign a consent to extend the period of limitations for assessing tax. This is to allow the IRS Appeals Office enough time to consider your case. For your protest to be valid, it must contain certain specific information, including a statement of the facts, applicable law, and arguments in support of your position. For specific information needed for a valid protest, refer to Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

Fast Track Mediation (FTM) referred to in Publication 3498, The Examination Process, generally doesn't apply now that we've issued this letter.

4. Request technical advice from the Office of Associate Chief Counsel (Tax Exempt Government Entities) if you feel the issue hasn't been addressed in published precedent or has been treated inconsistently by the IRS.

If you're considering requesting technical advice, contact the person shown at the top of this letter. If you disagree with the technical advice decision, you will be able to appeal to the IRS Appeals Office, as explained above. A decision made in a technical advice memorandum, however, generally is final and binding on Appeals.

If we don't hear from you

If you don't respond to this proposal within 30 calendar days from the date of this letter, we'll issue a final letter modifying your foundation status.


Contacting the Taxpayer Advocate Office is a taxpayer right

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877-777-4778.

Additional information

You can get any of the forms and publications mentioned in this letter by visiting our website at www.irs.gov/forms-pubs or by calling 800-TAX-FORM (800-829-3676).

If you have questions, you can contact the person shown at the top of this letter.

Sincerely,

Lynn A. Brinkley
Director, Exempt Organizations Examinations

Enclosures:

Form 886-A; Form 4621-A; Form 6018

Publications 892 and 3498

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of taxpayer	Tax Identification Number	Year/Period ended

ISSUE:

Should the public foundation classification of _____ under IRC §509(a)(1) and §170(b)(1)(A)(iii) be reclassified to the public foundation classification under IRC §509(a)(1) and §170(b)(1)(A)(vi)?

FACTS:

_____ ("____") was created in _____, _____ on _____ under a Trust Indenture. _____ was created for the use and benefit of the beneficiary which is _____ purposes include, but are not limited to, the development and delivery of health-care related services to the inhabitants of the beneficiary.

In _____ applied for tax exemption under IRC §501(c)(3) with a foundation classification under IRC §509(a)(1) and §170(b)(1)(A)(iii). _____ received their final determination letter in _____ granting exemption status and foundation classification as requested.

After negotiating with _____ ("____") in early _____, _____ purchased _____ from _____ in _____. After _____, _____ did not have a hospital under their authority and they did not provide hospital specific services.

After _____, _____ consisted mainly of _____, an entity that provides health care services at resident's homes, and _____, an entity that provides in-patient skilled nursing facility services.

_____ has generated over _____ % of its' income from Medicare reimbursements. In _____ after the sale of the hospital to _____, the entity received approximately _____ of their income from County sales tax receipts, workers' compensation rebates and from monies owed by the hospital for work performed prior to the sale of the hospital to _____.

Since _____ has generated over _____ % of its income from Medicaid reimbursements. There are a few private pay customers and some workers' compensation rebate deposits, but these sources of income are not consistent.

Analysis shows that _____ receives an immaterial amount of interest income every year. Analysis also shows that there are no apparent sources of unrelated business income for _____ or the two organizations under _____ business umbrella.

_____ records show that the current hospital license for _____ is under the authority of _____. There is no evidence that there is any connection between _____ and _____ and there is no evidence that _____ operates a hospital or has a hospital license form the State of _____.

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LAW:

IRC §170(b)(1)(A)(iii) describes, in part, an organization the principal purpose or functions of which are the providing of medical or hospital care or medical education or research, if the organization is a hospital.

IRC §170(b)(1)(A)(vi) describes organizations that normally receive a substantial part of its support (exclusive of income received in the exercise or performance by such organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 501(a)) from a governmental unit or from direct or indirect contributions from the general public.

IRC §501(c)(3) exempts from taxation, corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation, and which does not participate in, or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office.

IRC §509(a) states in part that for purposes of this title, the term "private foundation" means a domestic or foreign organization described in section 501(c)(3) other than;

- (1) an organization described in section 170(b)(1)(A), other than clauses vii and viii,
- (2) an organization which
 - (A) normally receives more than one-third of its support in each taxable year from any combination of —
 - (i) gifts, grants, contributions, or membership fees, and
 - (ii) gross receipts from admissions, sales of merchandise, performance of services, or furnishing of facilities, in an activity which is not an unrelated trade or business, not including such receipts from any person, or from any bureau or similar agency of a governmental unit, in any taxable year to the extent such receipts exceed the greater of \$5,000 or 1 percent of the organization's support in such taxable year.
 - (B) normally receives not more than one-third of its support in each taxable year from the sum of —
 - (i) gross investment income and
 - (ii) the excess (if any) of the amount of the unrelated business taxable income over the amount of the tax imposed by section 511;

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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LAW, continued:

IRC §509(d) states in part that the term "support" includes (but is not limited to)

- (1) gifts, grants, contributions, or membership fees,
- (2) gross receipts from admissions, sales of merchandise, performance of services, or furnishing of facilities in any activity which is not an unrelated trade or business (within the meaning of §513),
- (3) net income from unrelated business activities, whether or not such activities are carried on regularly as a trade or business,
- (4) gross investment income,
- (5) tax revenues levied for the benefit of an organization and either paid to or expended on behalf of such organization, and
- (6) the value of services or facilities (exclusive of services or facilities generally furnished to the public without charge) furnished by a governmental unit referred to in § 170(c)(1) to an organization without charge.

Support does not include any gain from the sale or other disposition of property which would be considered as a gain from the sale or exchange of a capital asset, or the value of exemption from any Federal, State, or local tax or any similar benefit.

CFR §1.170A-9(d)(1) states, in part, that an organization is described in section 170(b)(1)(A)(iii) if it is a hospital and its' principal purpose or function is the providing of medical or hospital care or medical education or medical research.

CFR §1.170A-9(d)(1)(B) states, in part, that the term hospital does not include convalescent (nursing) homes. Also stated is that an entity will not be considered a hospital unless it is actively engaged in providing medical or hospital care to patients on its premises or within its facilities.

CFR §1.170A-9(e)(8)(ii) states, in part, that a governmental unit is described in section 170(b)(1)(A)(v) if it is referred to in section 170(c)(1). Payments made to entities to provide health care or similar services are included in public support.

CFR §1.170A-9(f)(1) states, in part, that an organization is described in section 170(b)(1)(A)(vi) if it is:

- (i) A corporation, trust, or community chest, fund, or foundation, referred to in section 170(c)(2) and
- (ii) A "publicly supported" organization. For purposes of this paragraph, an organization is "publicly supported" if it normally receives a substantial part of its support from a governmental unit referred to in section 170(c)(1) or from direct or indirect contributions from the general public. An organization will be treated as

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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LAW, continued:

being "publicly supported" if it meets the requirements of either subparagraph (2) or subparagraph (3) of this paragraph.

CFR §1.170A-9(f)(2) states, in part, that an organization will be treated as a "publicly supported" organization if the total amount of support which the organization "normally" receives from governmental units referred to in section 170(c)(1), from contributions made directly or indirectly by the general public, or from a combination of these sources, equals at least 33 1/3 percent of the total support "normally" received by the organization.

CFR §1.170A-9(f)(3) states, in part, that even if an organization fails to meet the 33 1/3 percent-of-support test described in subparagraph (2) of this paragraph, it will be treated as a "publicly supported" organization if it normally receives a substantial part of its support from government units, from direct or indirect contributions from the general public, or from a combination of these sources, and meets the other requirements of this subparagraph. In order to satisfy this subparagraph, an organization must meet the requirements of subdivisions (i) and (ii) of this subparagraph in order to establish, under all the facts and circumstances, that it normally receives a substantial part of its support from governmental units or from direct or indirect contributions from the general public, and it must be in the nature of a "publicly supported" organization. The requirements and factors referred to in the preceding sentence with respect to a "publicly supported" organization are:

- (i) The percentage of support "normally" received by an organization from governmental units, from contributions made directly or indirectly by the general public, or from a combination of these sources, must be "substantial." For purposes of this subparagraph, an organization will not be treated as "normally" receiving a "substantial" amount of governmental or public support unless the total amount of governmental and public support "normally" received equals at least 10 percent (10%) of the total support "normally" received by such organization.
- (ii) An organization must be so organized and operated as to attract new and additional public or governmental support on a continuous basis. An organization will be considered to meet this requirement if it maintains a continuous and bona fide program for solicitation of funds from the general public, community, or membership group involved, or if it carries on activities designed to attract support from governmental units or other organizations described in section 170(b)(1)(A)(i) through (vi). In determining whether an organization maintains a continuous and bona fide program for solicitation of funds from the general public or community, consideration will be given to whether the scope of its fund-raising activities is reasonable in light of its charitable activities.

CFR §1.170A-9(f)(4)(ii) states in part that for purposes of subparagraph (3) of this paragraph, an organization will be considered as "normally" meeting the requirements of subparagraph (3) of this paragraph for its current taxable year and the taxable year immediately succeeding its current year, if, for the four taxable years immediately preceding the current taxable year, the organization meets the requirements of subparagraph (3)(i) and (ii) of this paragraph on an aggregate basis.

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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LAW, continued:

CFR §1.170A-9(f)(7)(i) states, in part, that for purposes of this paragraph, the term “support” shall be as defined in section 509(d). The term “support” does not include:

- (a) Any amounts received from the exercise or performance by an organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 501(a). In general, such amounts include amounts received from any activity the conduct of which is substantially related to the furtherance of such purpose or function (other than through the production of income), or
- (b) Contributions of services for which a deduction is not allowable.

CFR §1.170A-9(f)(7)(ii) states, in part, that for purposes of the 33 1/3 percent-of-support test (as identified in §1.170A-9(f)(2)) and the 10 percent-of-support limitation (as identified in §1.170A-9(f)(3)(i)), all amounts received which are described above in (a) or (b) above are to be excluded from both the numerator and the denominator of the fractions determining compliance with such tests, except as provided in paragraph (iii) below.

CFR §1.170A-9(f)(7)(iii) states, in part, that notwithstanding the provisions of §1.170A-9(f)(7)(i), an organization will not be treated as satisfying the 33 1/3 percent-of-support test or the 10 percent-of-support limitation (as identified in §1.170A-9(f)(3)(i)) if it receives:

- (a) Almost all of its support (as defined in section 509(d)) from gross receipts from related activities; and
- (b) An insignificant amount of its support from governmental units (without regard to amounts referred to in subdivision (i)(a) of this subparagraph) and contributions made directly or indirectly by the general public.

CFR §1.509(a)-1 states, in part, that Section 509(a) defines the term “private foundation” to mean any domestic or foreign organization described in section 501(c)(3) other than an organization described in section 509(a)(1), (2), (3) or (4). Organizations which fall into the categories excluded from the definition of “private foundation” are generally those which either have broad public support or actively function in a supporting relationship to such organizations. Organizations which test for public safety are also excluded.

CFR §1.509(a)-2(a) states, in part, that an organization described in section 170(b)(1)(A), other than in clauses vii and viii, are excluded from the definition of private foundation by section 509(a)(1).

Form 886-A	EXPLANATIONS OF ITEMS	Schedule number or exhibit
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TAXPAYER'S POSITION:

acknowledges that they do not operate a hospital and that their principal purpose is not providing medical or hospital care as described in IRC §170(b)(1)(A)(iii).

requests that their foundation classification under IRC §170(b)(1)(A)(iii) be reclassified to be under IRC §170(b)(1)(A)(vi). states that they reasonably expect to meet the requirements of the 33 1/3 percent public support test or the facts and circumstances test for all future years and states that their public support percentage since 2019 has been well in excess of 33 1/3%.

GOVERNMENT'S POSITION:

has not operated a hospital since . Since has not met the requirements in CFR §1.170A-9(d)(1) and therefore has not met the requirements under IRC §170(b)(1)(A)(iii) for foundation classification as a hospital.

operates a home health care service and a skilled nursing facility. Both of those enterprises normally and mainly generate income from Medicare and Medicaid reimbursements and deductible payments received from individuals that received treatment. The normal income from these sources accounts for far more than one-third of total support and fall within the requirements under CFR §1.170A-9(f)(7)(iii).

The projected amounts to be received from Medicaid and Medicare, as well as from the State of are monies for the receipt of services and would qualify as permitted sources of income from governmental agencies, with no restrictions, as described in Treasury Regulation §1.170A-9(e)(8)(ii) as Medicaid and Medicare reimbursements from the state are considered to have been used exclusively for public purposes.

As an organization within its' first five years of operation since the sale of , the facts available suggest that there is a reasonable expectation of sufficient public support in the future based on the conditions listed in the trust agreement where it states that operates for the benefit of the beneficiary (), which by extension is the residents of .

It is determined that qualifies for foundation classification under IRC §509(a)(1) and IRC §170(b)(1)(A)(vi).

CONCLUSION:

The public foundation status of is reclassified from IRC §509(a)(1) and §170(b)(1)(A)(iii) to the public foundation status under IRC §509(a)(1) and §170(b)(1)(A)(vi).

The effective date of the foundation reclassification is , .