

November 14, 2024

Central PA HFMA Healthcare Industry Tax Update 2024

withum⁺
ADVISORY TAX AUDIT

hfma
central pennsylvania chapter

HLB WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

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Agenda

Part 1: November 2024 Election Results

Part 2: IRS Update and IRC Section 501(r)

Part 3: Form 990 Schedule H Community Benefit and Commonwealth of PA

Part 4: Employment Tax

Part 1: November 2024 Election Results



Post Election Tax Reform – Federal

1. Corporation

- A. Reduction in the corporate income tax rate
- B. Excise tax on compensation >\$1M WRT covered persons for Code Section 501(c)(3)'s

2. Individual income taxation

- A. No tax on tips and No tax on Social Security income
- B. SALT Cap - \$10K
- C. Reduced rates
- D. Form 1099-K payments
- E. Elimination of FIT and replaced with consumption tax on new purchases



Corporate Transparency Act (CTA)

1. Congressional members request delay – 11/5/2024 letter
2. Beneficial ownership information (BOI) reporting requirements
3. Treasury Department's Financial Crimes Enforcement Network (FinCEN)
4. As of 11/1/2025 FinCEN reports it has received just 10 percent of required submissions



Employee Retention Credit (ERC)

1. Processed, approved and received refunds.
2. Denied and opportunity to appeal.
3. Filed, acknowledged and assigned.
4. Filed and received by the IRS.
5. The future of the ERC?!



IRA Clean Energy Tax Credits

1. Expands access to various energy tax credits making them available to certain tax-exempt and government entities; refundable tax credits even if no tax is paid by the organization.
2. Effective for tax years beginning after December 31, 2022.
3. Refundable production tax credits and investment tax credits for wind, solar, geothermal, combined heat and power and other technologies.
4. Refundable electric cars and ambulances tax credit.
5. Refundable electric charging stations investment tax credit.
6. Energy efficient building deduction under Section 179D.



Polling Question #1

1. What is the current Federal excise tax rate on covered person executive comp greater than \$1 million for tax-exempt organizations?
 - a) 15%
 - b) 18%
 - c) 21%
 - d) 24%

Part 2: IRS Update and IRC Section 501(r)



IRS Update

- Continued IRS delays
- Erroneous IRS notices and disallowance of credits and postings due to the employer FICA tax deferral and payback one-half on December 31, 2021, and the other one-half on December 31, 2022; respectively.
- Erroneous IRS notices, particularly regarding Forms 941 payroll tax filings including incorrect late deposits and late filings.
- Misapplied Tax Deposits
- IRS TE/GE Update



TE/GE's Program Letter for FY 2025

- Service (Better Taxpayer Experience)
- Issue Resolution (Faster Issue Resolution)
- Enforcement (Smarter Enforcement)
- Modernization (Advanced Technology and Analytics)
- Workforce (Empowered Employees)
- In March 2024, the IRS announced it would conduct examinations to “verify whether tax-exempt hospitals are complying with their statutory obligations under Internal Revenue Code Section 501(c)(3), including community benefit standard, and Section 501(r)”



EO Examination Results FY 2024

- Started 2,538 total exams; closed 1,606
 - 74.6% overall change rate
- Started 97 compliance strategy exams (4% of exam starts); closed 187
 - 65.2% change rate on closed compliance strategy exams
- Started 251 data driven exams (10% of exam starts); closed 492
 - 67.9% change rate on closed data driven exams
- Started 2,190 referrals, claims and other casework exams (86% of exam starts); closed 927
 - 80% change rate on closed referrals, claims and other casework exams



Hospital IRS and Commonwealth of PA Areas of Focus

1. IRC Section 501(r) initiatives
2. Form 990 Schedule H Community Benefit and Commonwealth of PA municipality challenges to exemption
3. Employment tax



Schedule H – IRS Initiatives

- IRS Review of Form 990 Schedule H – “desk audits.”
 - Review Schedule H once every three years.
- IRS Review of your website and reconciliation to Form 990 Schedule H
 - Part I Community benefit costs and categories,
 - Community health needs assessment/implementation plan, and
 - Financial assistance policy and billing/collection policy.
- IRS Audits and Examinations
 - IRS to audit 35 hospitals with a focus on community benefit compliance.

Form 4564

Form 4564	Department of the Treasury-Internal Revenue Service INFORMATION DOCUMENT REQUEST	Request Number
To:	Tax Period Ending: 2014/12	
	Subject: IRC § 501 (r)(3): CHNA and Implementation Strategy Plan.	
	EIN:	Submitted to:
	Dates of Previous Requests N/A	
Description of Documents Requested:		
<p>The following information is being requested for the examination of the organization's Form 990 for the tax year ended December 31, 2014. The information requested will be used to determine if the organization is in compliance with IRC § 501(r)(3), which requires that each of your hospital facilities conduct a Community Health Needs Care Assessment (CHNA) once every three years and adopt an implementation strategy to meet the community health needs identified in the CHNA. Please provide a cover sheet with each response, identifying the IDR number and question number(s) related to the response.</p> <p>Your Form 990, Schedule H, for 201412 shows in Part V, section A, that you operated multiple hospital facilities (HFs) within your healthcare system:</p> <ol style="list-style-type: none"> 1. Please provide a copy of each HF's CHNA conducted during the 2014/12 tax year or in either of the two immediately preceding tax years. 2. Provide the dates that each CHNA was adopted by an authorized body of the hospital facility and evidence of each CHNA's adoption (i.e., copies of board meeting minutes or resolutions, etc.). 		

Form 4564

3. In your response to question #7a on Schedule H, Part V, Section B, you indicated that you made each HF's CHNA report widely available on _____ We could not locate any CHNAs posted to that particular website. Please provide the exact website address (or URL) where each HF's CHNA was posted on this website or explain how you otherwise made each CHNA widely available to the public.
4. Provide a copy of the written implementation strategy (IS) that each HF adopted with respect to the CHNA you provided in your response to request #1.
5. Provide the dates that each IS was adopted by an authorized body of the hospital facility and evidence of each IS's adoption (i.e., copies of board meeting minutes or resolutions, etc.).
6. In your response to question #10 within Part V, section B of Schedule H, you stated that you posted the most-recently adopted IS for any of your HF's on a website and you did not attach each HF's most-recent IS to your 2014/12 Form 990. Please explain why you have not attached the IS to your 2014/12 return.
7. Identify a person from each HF who has knowledge of actions taken to solicit public input from persons who represent the broad interest of your community and who was responsible for the content of the CHNA and the IS.

Return a copy of this request with the requested documents.

IRC 501(r) Most Common Mistakes

IRC 501(r)(3)

1. Current and prior CHNA not posted on hospital website
2. CHNA's that do not address the impact of actions taken since prior CHNA
3. Implementation strategy not posted on hospital website (not required; industry best practice recommendation)

Form 13837



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
TE Compliance Unit - Attention: [REDACTED]
PO Box 1190 Mail Stop 1112
Ogden, UT 84402-1190

[REDACTED]
[REDACTED]
[REDACTED]

Date: May 09, 2024
Taxpayer ID number: [REDACTED]
Form: [REDACTED]
Website: [REDACTED]
Tax periods ended: [REDACTED]
Website: [REDACTED]
Person to contact:
Name: [REDACTED]
ID number: [REDACTED]
Telephone: [REDACTED]
Fax: [REDACTED]
Manager's contact information:
Name: [REDACTED]
ID number: [REDACTED]
Telephone: [REDACTED]
Response due date:
June 10, 2024

Dear Taxpayer:

Why you're receiving this letter

This review is a compliance check, not a request to inspect your books and records, within the meaning of Internal Revenue Code Section 7605(b), nor an audit for purposes of Section 530 of the Revenue Act of 1978.

What you need to do

Review the enclosed Compliance Check Information Request. Attach a copy of this letter to the front of your reply and send the information to us by the response due date shown above, using one of the following methods:

- **Mail:** Send copies of your documents to the address at the top of this letter.
- **Fax:** You may fax your documents to the number shown above, using either a fax machine or an online fax service. Protect yourself when sending digital data by understanding the fax service's privacy and security policies.

We encourage you to send the information by fax. Using the fax number is the most efficient way to send your response.

How you can pay if you owe

If you have a balance due on any filed return, you can pay:

- Online, by phone, or with a mobile device.
- Visit [IRS.gov/Payment](https://www.irs.gov/Payment) or the IRS2Go mobile app for all IRS payment options.
- If you plan to mail a payment, consider the electronic options at [IRS.gov/Payment](https://www.irs.gov/Payment) first. It's free to pay from a bank account (Direct Pay) or the Electronic Federal Tax Payment System (EFTPS).
- You can also schedule payments and receive email notifications.
- If you pay by check, money order, or cashier's check, make sure it's payable to the U.S. Treasury.

Where you can find more information

Publication 3114, Compliance Checks, explains the difference between a compliance check and an examination.

For general information about penalties, see the instructions to the form you are filing. If you think you have reasonable cause for penalty relief, send us your request in writing. You can find information on penalty relief, including reasonable cause, at [IRS.gov/PenaltyRelief](https://www.irs.gov/PenaltyRelief).

Letter 4204 (Rev. 11-2023)
Catalog Number 49830C

Form 13837

Enclosed are Publication 1, Your Rights as a Taxpayer, and Notice 609, Privacy Act Notice.

Find tax forms, instructions or publications by visiting [IRS.gov/forms](https://www.irs.gov/forms) or calling 800-TAX-FORM (800-829-3676).

Visit [IRS.gov/charities](https://www.irs.gov/charities) for information and tools related to your tax-exempt organization responsibilities, including:

- Online educational programs and training.
- Publications, forms and official guidance for exempt organizations.
- Tips on filing Form 990-series forms.
- Free newsletter EO Update, with information for exempt organizations and the tax practitioners who represent them.

When you reply, include a copy of this letter and write the contact's name, title, telephone number and the hours we can reach them.

If you have questions, you can call the contact person shown on the first page of this letter.

Sincerely,

Senior Manager, TE/GE Compliance Units

Enclosures:

Publication 1

Notice 609

Form 13837, Compliance Check Information Request - 8014

Letter 4204 (Rev. 11-2023)
Catalog Number 46690Q

Form 13837

Form 13837 (March 2023)		Department of the Treasury - Internal Revenue Service	Page 1 of 2
Compliance Check Information Request		Request type 8014	
To (name of organization/plan sponsor/taxpayer/issuer) ██████████		Taxpayer identification number ██████████	
		Periods ended	Website
		Response due date	June 10, 2024
Description of information requested			
Why you're receiving this letter Your organization is tax-exempt under Internal Revenue Code (IRC) Section 501(c)(3) and required to establish a Financial Assistance Policy (FAP) and a policy relating to emergency medical care under IRC Section 501(r)(4). You must also make these documents, as well as a plain language summary of the FAP and an FAP application form, widely available on a website. After reviewing your organization's website, we found the following issues:			
<input type="checkbox"/> We couldn't locate the FAP. <input checked="" type="checkbox"/> We couldn't locate the FAP plain language summary. <input checked="" type="checkbox"/> We couldn't locate the FAP application.			
We may not have found these because we don't have the correct website. Provide the correct website address (URL) so we can verify that your organization posted the required documents and make sure they comply with the requirements of IRC Section 501(r)(4).			
<input type="checkbox"/> Your organization didn't include certain requirements in the FAP.			
Explain why your organization didn't include the information below in the FAP. After your organization corrects the FAP to include the missing information and post it to a website, provide us the website address (URL) so we can review the information.			
<input type="checkbox"/> Eligibility criteria for financial assistance, and whether that assistance includes free or discounted care. <input type="checkbox"/> The basis for calculating amounts charged to patients. <input type="checkbox"/> The method for applying for financial assistance. <input type="checkbox"/> In the case of a hospital facility that doesn't have a separate billing and collection policy, actions that may be taken in the event of nonpayment including collections action and reporting to credit agencies. <input type="checkbox"/> If applicable, any information the hospital uses to presumptively determine that an individual is FAP-eligible and whether (and under what circumstances) it uses prior FAP-eligibility determinations. This information must be obtained from sources other than an individual seeking financial assistance. <input type="checkbox"/> A list of providers, other than the hospital facility itself, delivering emergency or medically-necessary care in the hospital facility. The list must specify which providers are covered by the hospital facility's FAP and which are not. See Notice 2015-46.			
Catalog Number 46252A		www.irs.gov	Form 13837 (Rev. 3-2023)

Form 13837

- Your organization didn't include certain requirements in the FAP plain language summary.

Explain why your organization didn't include the information below in the plain language summary. After your organization corrects the summary to include the missing information and posts it to a website, provide us the website address (URL) so we can review the information.

- A brief description of the eligibility requirements and assistance offered under the FAP.
- A brief summary of how a patient may apply for assistance under the FAP.
- The direct URL and physical locations where an individual can get copies of the FAP and FAP application form.
- Instructions on how an individual can get a free copy of the FAP and FAP application form by mail.
- The contact information, including telephone number and physical location, of the hospital facility office or department that can provide information about the FAP, and either:
 - The hospital facility office or department that can provide assistance with the FAP application process, or
 - If the hospital facility doesn't provide assistance with the FAP application process, at least one nonprofit organization or government agency that the hospital facility has identified as an available source of assistance with FAP applications.
- A statement of which language translations are available for the FAP, FAP application form, and plain language summary of the FAP, if applicable.
- A statement that an FAP-eligible individual can't be charged more than the amounts generally billed (AGB) for emergency or other medically-necessary care.

What you need to do

Provide a complete response below to the information we're requesting above. Use the mailing instructions on the front page of this letter to send your response to us.

Instructions: Attach a copy of this form to the front of the requested information along with a copy of the accompanying letter and any information requested in the letter.

You can send the information using one of the following methods:

Mail: Send copies of your documents to the address at the top of the cover letter.

Fax: Fax your documents to the fax number at the top of the cover letter using either a fax machine or an online fax service. Protect yourself when sending digital data by understanding the fax service's privacy and security policies. Include your taxpayer identification number on each page.

IRC 501(r) Most Common Mistakes

IRC 501(r)(4)(5) & (6)

1. No reference to AGB/AGB not updated
2. Lack of LEP translations/all required documents not translated into LEP languages
3. Missing provider listing/provider listing not updated
4. No reference to billing & collection policy
5. Reference to appendix/exhibits that do not exist
6. Broken website links
7. FAP information not easily found within website



Polling Question #2

1. How often is a tax-exempt hospital required to complete a Community Health Needs Assessment and implementation plan?
 - a) One year
 - b) Two years
 - c) Three years
 - d) Four years

Part 3: Form 990 Schedule H Community Benefit and Commonwealth of PA



Form 990, Schedule H - Community Benefit

1. Supports Federal, state and local tax-exempt status.
 - a. Federal
 - i. Exempt from corporate income tax
 - ii. Allows the issuance of tax-exempt borrowings, and
 - iii. Permitted to receive Federal and state government grants and also charitable contributions.
 - b. State
 - i. Exempt from corporate income tax
 - ii. Exempt from sales and use taxes.
 - c. Local
 - i. Generally, exempt from property (real estate) taxes.



AMA calls for Tougher Oversight of Nonprofit Hospitals

1. November 11, 2024 during their semi-annual meeting.
2. “Federal and state authorities should toughen enforcement of community benefit requirements and penalize or revoke the tax-exempt status of nonprofit hospitals that “provide little or no community benefit,” the AMA said in a news release Monday.”
3. The link above is to a Modern Healthcare 3/26/2024 article titled “Hospital charity care falls short of nonprofit tax breaks: Lown”.



Tax Benefit of US Nonprofit Hospitals

1. JAMA Network (Journal of the American Medical Association) released study on September 26, 2024. Researchers at Johns Hopkins Bloomberg School of Public Health, Johns Hopkins Carey Business School, and Texas Christian University. Please click [here](#) to view the full study.
2. Analyzed financial data from nearly 3,000 U.S. nonprofit hospitals and reported that nonprofit hospitals in U.S. received \$37.4 billion in tax benefits in 2021.
3. AHA released study shortly thereafter. Please click [here](#) to view the full article. Nonprofit hospitals tax exemptions amounted to \$13.2 Billion in 2020.
4. Nonprofit hospitals provided \$129 billion in total benefits to the community, nearly 10 times the value of the tax exemptions.



Majority Staff Report 10/10/2023

1. Majority Staff Report of the Senate Health, Education, Labor, and Pensions Committee, chaired by Senator Bernie Sanders.
2. Hold tax-exempt hospitals more accountable for the tax benefits they receive and ensure these tax-exempt hospitals are fulfilling their obligation to provide accessible healthcare in their communities.
3. Reviewed tax documents of 16 of the largest U.S. tax-exempt hospitals and determined:
 - A. 12 of these 16 hospitals dedicated less than 2% of their revenue to charity care.
 - B. Six dedicated less than 1% of total revenue to charity care.
 - C. The 16 hospitals' CEOs averaged more than \$8M in annual compensation in 2021.



Majority Staff Report 10/10/2023

- The report cites a study that 86% of tax-exempt hospitals spent less on charity care than they received in tax benefits between 2011 and 2018.
- Tax-exempt hospitals spent only an estimated \$16B on charity care in 2020, or about 57% of the value of their tax breaks in the same year.
- Tax-exempt hospitals billed \$2.7B to patients who would have likely been eligible for charity care during 2017.

United States Senate

HEALTH, EDUCATION, LABOR, AND PENSIONS COMMITTEE

Bernard Sanders, Chair

Majority Staff Report

October 10, 2023

Executive Charity

**Major Non-Profit Hospitals Take Advantage of Tax Breaks and
Prioritize CEO Pay Over Helping Patients Afford Medical Care**

Introduction

In 2007, Carrie Barrett needed a heart catheterization after experiencing chest pain and shortness of breath.¹ She went to a Methodist Le Bonheur (“Methodist”) hospital in Memphis, Tennessee, and walked out with the needed procedure completed and a \$12,019 bill for her medical stay.² Ms. Barrett made less than \$12 an hour and had no hope of paying back that bill. But the hospital not only refused to help Barrett afford her bill, it instead piled on interest and sent the bill to collections. By June 2019, Ms. Barrett owed over \$33,000, nearly three times the original cost of the procedure and more than twice what she earned in a year.³

Stories like Ms. Barrett’s are far too common. But they are even more egregious when the hospital is a non-profit that is required to be “organized and operated exclusively for charitable purposes.”⁴ Nearly half of American hospitals are non-profits, a status that affords them an incredible benefit: exemption from federal, state, and local taxation.⁵ In 2020, the nation’s 2,978 non-profit hospitals receive an estimated \$28 billion in federal, state, and local tax benefits as a result of not paying those taxes—an average of \$9.4 million per hospital.⁶ One study also found that tax breaks accounted for 44 percent of non-profit hospitals’ net income in that same year.⁷

Please click [here](#) to view the full article



IRS Community Benefit Standard

Rev. Rul. 69-545

1. Operates a full-time emergency room and no one requiring emergency care is denied treatment;
2. Uses surplus funds to improve the quality of patient care, expand its facilities, and advance its medical training, education, and research programs;
3. Control of the hospital rests with its board of trustees, which is composed of independent civic leaders; and
4. Maintains an open medical staff, with privileges available to all qualified physicians.



Pennsylvania Institutions of Purely Public Charity

Hospital Utilization Project v. Commonwealth, 507 PA 1 (1985) – “HUP test”

1. Advance a charitable purpose;
2. Operate entirely free from private profit motive;
3. Donate or render gratuitously a substantial portion of its services
4. Benefit a substantial and indefinite class of persons who are legitimate subjects of charity; and
5. Relieve the government of some of its burden.

Form 990, Schedule H, Part I

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			13,743,896.		13,743,896.	1.39
b Medicaid (from Worksheet 3, column a)			135,993,539.	78,137,247.	57,856,292.	5.86
c Costs of other means-tested government programs (from Worksheet 3, column b) . .						
d Total. Financial Assistance and Means-Tested Government Programs . . .			149,737,435.	78,137,247.	71,600,188.	7.25
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4) .			2,509,190.		2,509,190.	0.25
f Health professions education (from Worksheet 5)			36,503,215.	10,822,962.	25,680,253.	2.60
g Subsidized health services (from Worksheet 6)			11,327,598.	4,354,550.	6,973,048.	0.71
h Research (from Worksheet 7)			4,249.		4,249.	
i Cash and in-kind contributions for community benefit (from Worksheet 8)			13,946.		13,946.	
j Total. Other Benefits			50,358,198.	15,177,512.	35,180,686.	3.56
k Total. Add lines 7d and 7j .			200,095,633.	93,314,759.	106,780,874.	10.81



Schedule H Planning Areas

1. Health Professionals Education

A. Nurse Residency Program

B. Medical residents; do not include indirect GME reimbursement provided by Medicare or Medicaid

2. Subsidized Health Services

A. The service meets an identified community need

B. Inpatient programs and outpatient programs

C. Community health needs assessment (CHNA)



American Hospital Association Total Benefits to the Community Model

1. Starts with Form 990 Schedule H, Part I
2. AHA model also includes the following from the Schedule H
 - A. Community Building Activity – Form 990 Schedule H, Part II
 - B. Bad Debt Expense Attributable To Financial Assistance – Form 990 Schedule H, Part III
 - C. Medicare Shortfall – Form 990 Schedule H, Part III

Form 990, Schedule H, Part III

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	X	
2	Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.		
3	Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	184,421,090.		
6	Enter Medicare allowable costs of care relating to payments on line 5	225,406,524.		
7	Subtract line 6 from line 5. This is the surplus (or shortfall)	-40,985,434.		
8	Describe in Part VI the extent to which any shortfall reported on line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input type="checkbox"/> Cost accounting system <input checked="" type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other			

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?	X	
9b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	X	



Lown Institute

1. Starts with Form 990 Schedule H, Part I
2. Eliminates
 - A. Medicaid shortfall
 - B. Health Professionals Education (HPE)
 - C. Research
 - D. Does not recognize AHA additional categories either
3. Fair Share Spending Calculation – 5.9% of a hospital's expenses
4. PA municipality expert witness

Community Benefit Standards

Hospital Example	IRS	%	AHA	%	Lown	%
Financial assistance	13,743,896	1.39	13,743,896	1.39	13,743,896	1.39
Medicaid Shortfall	57,856,292	5.86	57,856,292	5.86	-	0.00
Community Health Improv Svs	2,509,190	0.25	2,509,190	0.25	2,509,190	0.25
Health Professions Education	25,680,253	2.60	25,680,253	2.60	-	0.00
Subsidized Health Services	6,973,048	0.71	6,973,048	0.71	6,973,048	0.71
Research	4,249	0.00	4,249	0.00	-	0.00
Cash and in-kind contributions	13,946	0.00	13,946	0.00	13,946	0.00
Total	106,780,874	10.81	106,780,874	10.81	23,240,080	2.35
Portion of bad debt	-	0.00	2,945,111	0.29	-	0.00
Medicare shortfall	-	0.00	40,985,434	4.15	-	0.00
Total	106,780,874	10.81	150,711,419	15.25	23,240,080	2.35
Total Expenses					986,829,689	
5.90%					58,222,952	
Lown Fair Share Deficit					(34,982,872)	



Commonwealth of PA Considerations

1. Generally, PA REV-72 do not expire; however, charitable, educational, or religious institutions may need to be renewed every five years.
2. Commonwealth of PA municipality tax-exemption challenges!
3. Strategies when exemption is challenged:
 - A. Compliance with HUP
 - B. IRS Form 990 Schedule H and community benefit
 - C. IRS Form 990 Schedule O community benefit statement - narrative
 - D. American Hospital association total benefits to the community
 - E. Compensation and benefits are reasonable and FMV; process and procedures
 - F. Lown test is not the current standard for exemption; their methodology is arbitrary; unreasonable and discretionary
 - G. Did the hospital lose money during the year(s) in question per 990(s)?

Schedule H - Community Benefit Benchmarking

AHA Report 2020 Forms 990

Hospital Category	All Filed 2020 Schedule Hs ^[1]
Financial Assistance, Unreimbursed Medicaid, Unreimbursed Costs From Means-Tested Government Programs	6.90%
Health Professions Education	1.70%
Medical Research	0.50%
Cash and In-Kind Contributions to Community Groups	0.30%
Other ^[2]	1.80%
Total Financial Assistance and Other Community Benefits	11.30%

[1] National Benchmark Comparative

[2] Includes Subsidized Health Services

Table 3. Financial assistance, means-tested programs and certain other benefits
(Percent of total expense)

Hospital Category	Financial Assistance, Unreimbursed Medicaid, Unreimbursed Costs From Means-Tested Government Programs	Health Professions Education	Medical Research	Cash And In-Kind Contributions To Community Groups	Other *	Total Financial Assistance And Other Community Benefits
All Filed Schedule Hs (2,790 hospitals)	6.9%	1.7%	0.5%	0.3%	1.8%	11.3%
DEMOGRAPHIC COMPARISONS (1,849 individual hospitals)						
Size						
Small	6.1%	0.2%	0.1%	0.1%	2.5%	9.0%
Medium	6.5%	0.5%	0.0%	0.2%	2.1%	9.2%
Large	7.1%	2.3%	0.7%	0.2%	2.0%	12.3%
Location						
Rural	5.0%	0.1%	0.0%	0.1%	2.9%	8.1%
Urban/Suburban	6.9%	1.9%	0.5%	0.2%	2.0%	11.6%
Type**						
General Medical	6.8%	1.8%	0.3%	0.2%	2.1%	11.1%
Children's	9.9%	2.1%	2.1%	0.5%	2.5%	17.1%
Teaching Hospital	6.9%	2.1%	0.6%	0.2%	2.1%	12.0%
Critical Access Hospital Status	5.2%	0.2%	0.0%	0.1%	3.2%	8.7%
System-Affiliation						
Affiliated	6.6%	1.9%	0.2%	0.2%	1.9%	10.9%

Note: Total percent may not sum due to rounding.
 * Net shortfall (gross shortfall less surplus)
 ** A single hospital can be in more than one TYPE category



Schedule H – Total Benefits to the Community

AHA Report 2020 Forms 990

Hospital Category	All Filed 2020 Schedule Hs
Financial Assistance And Certain Other Community Benefits	11.3%
Community Building Activity	0.1%
Medicare Shortfall	3.9%
Bad Debt Expense Attributable to Financial Assistance	0.3%
Total Benefits To The Community	15.5%

Table 2. Hospitals' total benefit to the community (Percent of expense)

Hospital Category	Financial Assistance And Certain Other Community Benefits	Community Building Activity	Medicare Shortfall*	Bad Debt Expense Attributable To Financial Assistance	Total Benefits To The Community
All Filed Schedule Hs (2,790 hospitals)	11.3%	0.1%	3.9%	0.3%	15.5%
DEMOGRAPHIC COMPARISONS (1,849 individual hospitals)					
Size					
Small	9.0%	0.1%	1.7%	0.8%	11.7%
Medium	9.2%	0.1%	3.7%	0.5%	13.5%
Large	12.3%	0.1%	3.6%	0.3%	16.2%
Location					
Rural	8.1%	0.1%	1.4%	0.6%	10.2%
Urban/Suburban	11.6%	0.1%	3.5%	0.3%	15.5%
Type**					
General Medical	11.1%	0.1%	3.7%	0.4%	15.2%
Children's	17.1%	0.1%	0.2%	0.1%	17.6%
Teaching Hospital	12.0%	0.1%	3.4%	0.3%	15.7%
Critical Access Hospital Status	8.7%	0.1%	0.7%	0.5%	10.0%
System-Affiliation					
Affiliated	10.9%	0.0%	3.5%	0.3%	14.8%

Note: Total percent may not sum due to rounding.

* Net shortfall (gross shortfall less surplus)

** A single hospital can be in more than one TYPE category

Increased Focus on Value of Community Benefit & Tax-Exemption

RESEARCH ARTICLE



Comparing the value of community benefit and Tax-Exemption in non-profit hospitals

Hossein Zare PhD, MS¹ | Matthew D. Eisenberg PhD² | Gerard Anderson PhD²

HOSPITALS

Nonprofit hospitals spend less on charity care than for-profits, study finds

By Robert King • Apr 7, 2021 07:05am

withum⁺ | withum.com

RESEARCH ARTICLE | HOSPITALS

HEALTH AFFAIRS > VOL. 40, NO. 4: ACCESS, ACA, SPENDING, & MORE

Analysis Suggests Government And Nonprofit Hospitals' Charity Care Is Not Aligned With Their Favorable Tax Treatment

[Ge Bai](#), [Hossein Zare](#), [Matthew D. Eisenberg](#), [Daniel Polsky](#), and [Gerard F. Anderson](#)

JAMA Network | Open™

Research Letter | Health Policy

Evaluation of Unreimbursed Medicaid Costs Among Nonprofit and For-Profit US Hospitals

Ge Bai, PhD, CPA; Hossein Zare, PhD, MS; David A. Hyman, MD, JD

States Are Getting Involved In Community Benefit

1. States implementing mandatory community benefit reporting.
2. Mandatory minimum community benefit spending.
3. Required reports to be posted on organization's website.



State Community Benefit Requirements and Tax Exemptions for Nonprofit Hospitals

To see which states have a particular requirement, click on a symbol in the yellow row. You may also filter the requirements by selecting checkboxes in the Filter row and clicking on the Filter Requirements button. For detailed information about the requirement of a particular state, click on the symbol in the field at the intersection of the state's row and the requirement's column. For example, to read about Alabama's financial assistance policy dissemination requirement, click on the square in the field at the intersection of the Alabama row and the Financial Assistance Policy Dissemination column to display the relevant text from the Alabama profile in a pop-up window.

Instructional Video ----- Select All States		<input type="radio"/> Unconditional community benefit requirement <input type="radio"/> Conditional community benefit requirement <input type="checkbox"/> Requirement (either conditional or unconditional) Blank = No requirement			Click map icon to see which states have that particular requirement			<input type="checkbox"/> State tax exemption <input checked="" type="checkbox"/> No state tax exemption Blank = State does not impose this tax				
Compare	State	Community Benefit Requirement	Minimum Community Benefit Requirement	Community Benefit Reporting Requirement	Community Health Needs Assessment	Community Benefits Plan/Implementation Strategy	Financial Assistance Policy	Financial Assistance Policy Dissemination	Limitations on Charges, Billing, and Collections	Income Tax Exemption	Property Tax Exemption	Sales Tax Exemption

Click [here](#) to see Community Benefit Requirements by State.



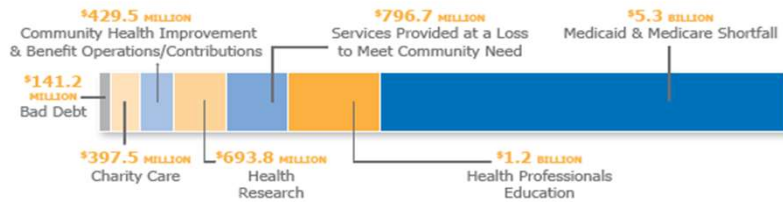
Pennsylvania Hospitals' Community Impact

Fiscal Year 2022

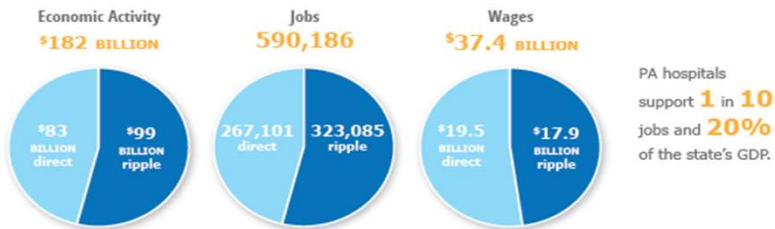
Hospitals do more than treat illnesses and injuries. They strengthen the health of their communities, anchor local economies, and support quality jobs for Pennsylvanians.

Community Benefit

\$9 BILLION total community benefit



Economic Impact



Beyond Patient Care:

Community Impact of Pennsylvania Hospitals

An Analysis of FY 2022 Data

October 2023

[Pa. Hospitals Generate Billions in Community, Economic Benefits - HAP](#)



Polling Question #3

1. What does not constitute Community Benefit under the IRS standard (Catholic Health Association model)?
 - a) Financial assistance at cost
 - b) Medicaid shortfall
 - c) Medicare shortfall
 - d) Research

Part 4: Employment Taxes



Polling Question #4

1. Has your organization undergone an IRS audit examination in the last 5 years?
 - a) Yes
 - b) No – thankfully!
 - c) Not sure
 - d) N/A



IRS – Employment Taxes

- The IRS loves audit examinations in this area!
- Taxability of fringe benefits
- Audits of the Form 1099-NEC; Worker reclassification from 1099 to W-2
- Section 530 relief
- A Form W-2 and 1099 to the same individual
- Matching of employees Social Security #'s to 1099's
- Audits of the accounts payable paid file
- Medical directorships/chairmanships/stipends; on-call payments



Section 530 Relief

- Reporting Consistency
- Substantive Consistency
- Reasonable Basis

Form 1099-MISC

9595		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0115		Miscellaneous Information
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents		Form 1099-MISC		
		\$		(Rev. January 2024)		
PAYER'S TIN		2 Royalties		For calendar year		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the current General Instructions for Certain Information Returns.
		\$		4 Federal income tax withheld		
RECIPIENT'S TIN		3 Other income		\$		
RECIPIENT'S name		5 Fishing boat proceeds		6 Medical and health care payments		
Street address (including apt. no.)		\$		\$		
City or town, state or province, country, and ZIP or foreign postal code		7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>		8 Substitute payments in lieu of dividends or interest		
Account number (see instructions)		9 Crop insurance proceeds		10 Gross proceeds paid to an attorney		
		\$		\$		
13 FATCA filing requirement <input type="checkbox"/>		11 Fish purchased for resale		12 Section 409A deferrals		
		\$		\$		
2nd TIN not. <input type="checkbox"/>		14 Excess golden parachute payments		15 Nonqualified deferred compensation		
		\$		\$		
16 State tax withheld		17 State/Payer's state no.		18 State income		
		\$		\$		

Form **1099-MISC** (Rev. 1-2024) Cat. No. 14425J www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service
Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

Form 1099-NEC

7171		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0116		Nonemployee Compensation
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.				Form 1099-NEC (Rev. January 2024)		
				For calendar year _____		
PAYER'S TIN	RECIPIENT'S TIN	1 Nonemployee compensation			Copy A For Internal Revenue Service Center File with Form 1096. <small>For Privacy Act and Paperwork Reduction Act Notice, see the current General Instructions for Certain Information Returns.</small>	
		\$				
RECIPIENT'S name		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>				
Street address (including apt. no.)		3				
City or town, state or province, country, and ZIP or foreign postal code		4 Federal income tax withheld				
Account number (see instructions)		\$				
2nd TIN not. <input type="checkbox"/>		\$				
		5 State tax withheld	6 State/Payer's state no.	7 State income		
		\$	\$	\$		
		\$	\$	\$		

Form **1099-NEC** (Rev. 1-2024) Cat. No. 72590N www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

Form 1099 – Payments/Box

1099-MISC

For payments of \$600 or more to vendors for:

- Box 1: Rent
- Box 2: Royalties (>\$10)
- Box 3: Prizes & awards
- Box 6: Medical and healthcare payments
- Box 10: Gross proceeds to attorney

1099-NEC

For payments of \$600 or more to vendors for:

- Box 1: Services by someone who is not your employee
- Box 1: Payments to an attorney for services



Form 1099 – General Rules

- Generally, no Form 1099 for:
 - Corporations, except for attorneys/law firms and medical/healthcare payments
 - Payments for merchandise
 - Payments to tax-exempt organizations
- Box 6: Medical and healthcare payments
 - > \$600 to each physician or other supplier or provider of medical or health care services



Form 1099 – General Rules

- Payments to attorneys
 - Services: Form 1099-NEC Box 1
 - Gross proceeds/settlements: Form 1099-MISC Box 10
- Payments to a Limited Liability Company Structured as:
 - Single member LLC
 - C-Corp
 - S-Corp
 - Partnership

Form W-9

<p>Form W-9 (Rev. March 2024) Department of the Treasury Internal Revenue Service</p>	<p>Request for Taxpayer Identification Number and Certification</p> <p>Go to www.irs.gov/FormW9 for instructions and the latest information.</p>	<p>Give form to the requester. Do not send to the IRS.</p>																								
<p>Before you begin. For guidance related to the purpose of Form W-9, see <i>Purpose of Form</i>, below.</p>																										
<p>1 Name of entity/individual. An entry is required. (For a sole proprietor or disregarded entity, enter the owner's name on line 1, and enter the business/disregarded entity's name on line 2.)</p>																										
<p>2 Business name/disregarded entity name, if different from above.</p>																										
<p>3a Check the appropriate box for federal tax classification of the entity/individual whose name is entered on line 1. Check only one of the following seven boxes.</p> <p><input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C corporation <input type="checkbox"/> S corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate</p> <p><input type="checkbox"/> LLC. Enter the tax classification (C – C corporation, S – S corporation, P – Partnership)</p> <p>Note: Check the "LLC" box above and, in the entry space, enter the appropriate code (C, S, or P) for the tax classification of the LLC, unless it is a disregarded entity. A disregarded entity should instead check the appropriate box for the tax classification of its owner.</p> <p><input type="checkbox"/> Other (see instructions)</p>	<p>4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):</p> <p>Exempt payee code (if any) _____</p> <p>Exemption from Foreign Account Tax Compliance Act (FATCA) reporting code (if any) _____</p> <p><i>(Applies to accounts maintained outside the United States.)</i></p>																									
<p>3b If on line 3a you checked "Partnership" or "Trust/estate," or checked "LLC" and entered "P" as its tax classification, and you are providing this form to a partnership, trust, or estate in which you have an ownership interest, check this box if you have any foreign partners, owners, or beneficiaries. See instructions <input type="checkbox"/></p>																										
<p>5 Address (number, street, and apt. or suite no.). See instructions.</p>	<p>Requester's name and address (optional)</p>																									
<p>6 City, state, and ZIP code</p>																										
<p>7 List account number(s) here (optional)</p>																										
<p>Part I Taxpayer Identification Number (TIN)</p> <p>Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see <i>How to get a TIN</i>, later.</p> <p>Note: If the account is in more than one name, see the instructions for line 1. See also <i>What Name and Number To Give the Requester</i> for guidelines on whose number to enter.</p>																										
		<p>Social security number</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;"> </td> <td style="width: 25%;"> </td> <td style="width: 25%;"> </td> <td style="width: 25%;"> </td> </tr> <tr> <td> </td> <td>-</td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </table> <p>or</p> <p>Employer identification number</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;"> </td> <td style="width: 25%;"> </td> <td style="width: 25%;"> </td> <td style="width: 25%;"> </td> </tr> <tr> <td> </td> <td>-</td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </table>						-												-						
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<p>Part II Certification</p> <p>Under penalties of perjury, I certify that:</p> <ol style="list-style-type: none"> The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and I am not subject to backup withholding because (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and I am a U.S. citizen or other U.S. person (defined below); and The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct. <p>Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and, generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.</p>																										
<p>Sign Here</p>	<p>Signature of U.S. person</p>	<p>Date</p>																								
<p>General Instructions</p> <p>Section references are to the Internal Revenue Code unless otherwise noted.</p> <p>Future developments. For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/FormW9.</p> <p>What's New</p> <p>Line 3a has been modified to clarify how a disregarded entity completes this line. An LLC that is a disregarded entity should check the appropriate box for the tax classification of its owner. Otherwise, it should check the "LLC" box and enter its appropriate tax classification.</p>																										
<p>New line 3b has been added to this form. A flow-through entity is required to complete this line to indicate that it has direct or indirect foreign partners, owners, or beneficiaries when it provides the Form W-9 to another flow-through entity in which it has an ownership interest. This change is intended to provide a flow-through entity with information regarding the status of its indirect foreign partners, owners, or beneficiaries, so that it can satisfy any applicable reporting requirements. For example, a partnership that has any indirect foreign partners may be required to complete Schedules K-2 and K-3. See the Partnership Instructions for Schedules K-2 and K-3 (Form 1065).</p> <p>Purpose of Form</p> <p>An individual or entity (Form W-9 requester) who is required to file an information return with the IRS is giving you this form because they</p>																										
<p>Cat. No. 10231X</p>		<p>Form W-9 (Rev. 3-2024)</p>																								



Backup Withholding

- Generally 24% withholding when:
 - Failure to furnish TIN in the manner required;
 - Notice from IRS that payee's TIN is incorrect;
 - Notice from IRS that payee is subject due to notified payee underreporting; or
 - Failure to certify that payee is not subject.
- Report on Form 945
- Form W-9 can eliminate backup withholding requirement
- Publication 1284; Backup Withholding for Missing & Incorrect Name/TIN(s)



Backup Withholding

- IRS Audits.
- Audit back up to 3 years.
- Subject to 24% tax on all payments made to these contractors.
- Form 4669, Statement of Payments Received.
- Contractor lists and certified each payment received was reported on the contractor's income tax return.



Withum Accounts Payable Best Practices

- Beware - Form 1099-NEC audits!!!
- Planning between Form 1099-MISC, Box 6 vs 1099-NEC, Box 1
- Obtain Form W-9 from all accounts payable payees
- IRS TIN matching program
- Annual review of non-1099 required vendors
- Annual review of both payroll and accounts payable to determine if any individuals were issued both a Form W-2 and Form 1099-MISC
- Maintain/update internal Form 1099-MISC/NEC policy, including IRS rules & regulations

withum[‡] Annual Healthcare Symposium

Tuesday, December 10, 2024
11:00 AM - 3:00 PM ET

KEYNOTE SPEAKERS



Cathy Bennett



Nicole Stallings

Join us! Withum's Virtual Healthcare Symposium
3 CPE / 3 CLE Credits

[Register Here](#)

Thank you! Questions?



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