



APRIL 16, 2026

Healthcare Industry Tax Update 2026

POWER IN THE PLUS™

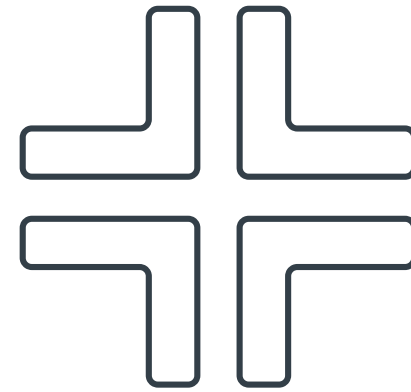


WE ARE AN
INDEPENDENT
MEMBER OF



THE GLOBAL
ADVISORY AND
ACCOUNTING
NETWORK

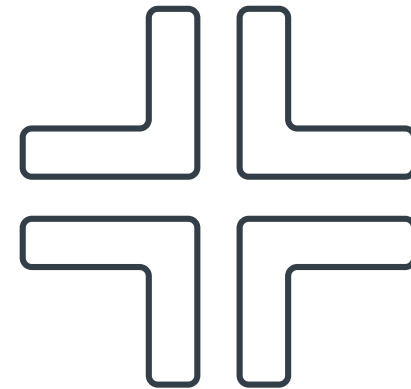
Presenters



John A. Smith
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Healthcare Services
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Healthcare Services
asupawala@withum.com



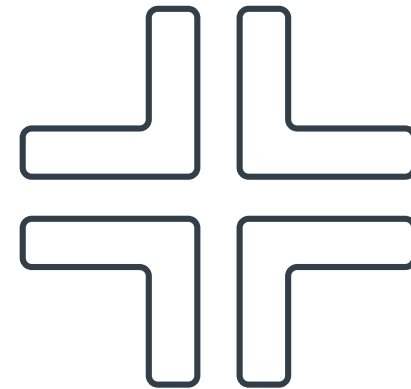
Agenda

Tax Provisions

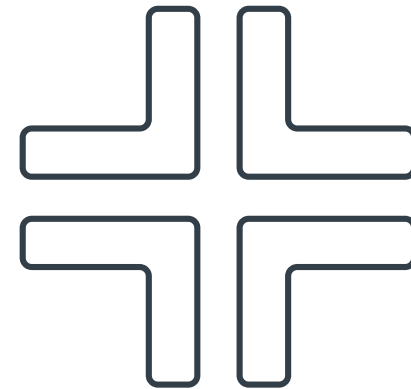
IRS Update and IRC Code Section 501(r)

Community Benefit

Employment Tax

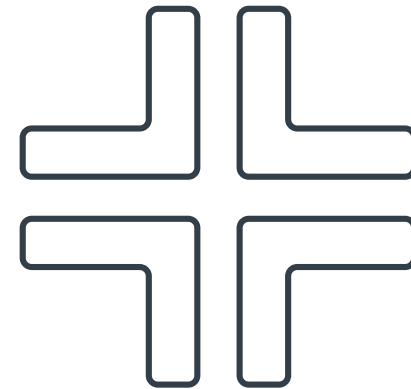


Tax Provisions



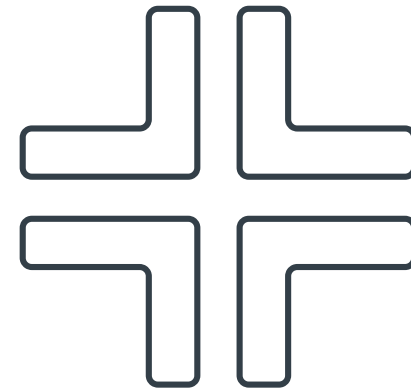
Excise Tax on Compensation over \$1M

- + Old: 21% excise tax on compensation over \$1M for top 5 employees of a tax-exempt organization
 - Once employee is deemed a “covered employee” in a tax year, always a “covered employee” and subject to 21% excise on compensation over \$1M
 - Compensation for medical services is exempt from 21% excise tax
- + OBBBA: Expands the 21% excise tax on compensation over \$1M to all employees of a tax-exempt organization
 - Effective for tax years beginning after 2025
 - Compensation for medical services remains exempt



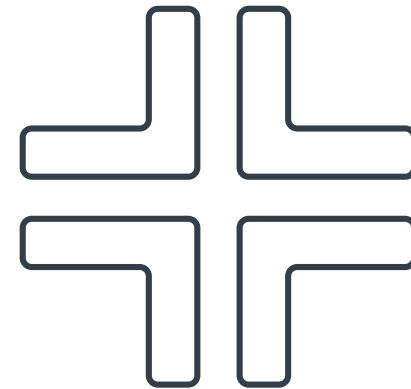
Excise Tax on University Endowments

- + Old: 1.4% excise tax on net investment income of certain private colleges and universities
 - Private colleges and university with at least 500 students and endowment exceeding \$500,000 per student
- + OBBA: Multi-tiered tax on endowments earnings
 - Rate of 1.4%, 4% and 8% at the highest tier
 - 8% rate applies to institutions with endowment assets exceeding \$2M per student
 - Applies to private colleges and universities with at least 3,000 tuition-paying students
 - Interest on student loans and certain royalty income (from intellectual property developed with federal funds) will no longer be excluded and will be subject to the excise tax
 - Effective for tax years beginning after 2025



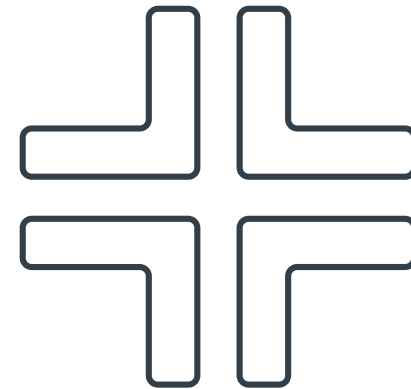
§179 Expensing

- + Old: Provides for expensing certain depreciable property, such as office equipment, certain vehicles, and off-the-shelf software; 2025 limit is \$1.25 million, and this amount is reduced dollar-for-dollar when §179 property placed in service exceeds \$3.13 million
- + OBBBA: Raises max deduction to \$2,500,000 and phase-out thresholds do not apply until the cost of §179 property exceeds \$4,000,000
- + Effective for property placed in service in taxable years beginning after December 31, 2024
- + Cost: \$25 billion



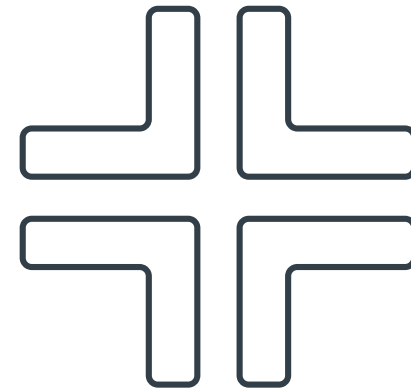
Bonus Depreciation

- + Old: TCJA brought in additional first-year depreciation of 100% (i.e., bonus depreciation) for qualified property acquired after 9/27/2017 and placed in service before 1/1/2023
- + TCJA phased down the percentage by 20% each year; it is 40% in 2025, 20% in 2026, and 0% in 2027 and beyond
- + OBBBA: Permanently reinstates 100% bonus depreciation for tangible personal property acquired after 1/19/2025
- + Taxpayers can elect 40% depreciation, but only for the first tax year ending after 1/19/2025
- + Consider interplay between §179 expensing, new qualified production property deduction, and other provisions (e.g., §382 limitation)
- + Cost: \$362 billion



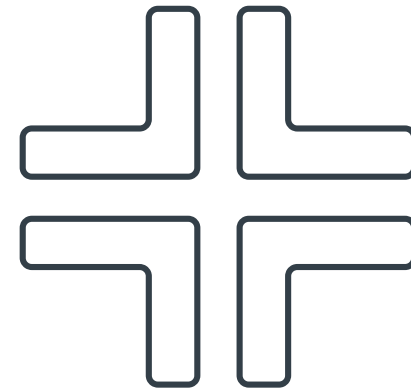
Interest Expense Limitation

- + Old: TCJA generally limited interest deductions to (i) business interest income, (ii) 30% of adjusted taxable income (“ATI”) (but not less than zero), and (iii) floor plan financing interest; indefinite carryforward if not deductible; since 2022, ATI was lowered from EBITDA to EBIT, further limiting interest deductions
- + OBBBA: Permanently reinstates the addback for depreciation and amortization, so ATI is again based on EBITDA, but includes a new ordering rule that applies the limitation before the application of most interest capitalization provisions
- + Effective for taxable years beginning after December 31, 2024
- + Cost: \$61 billion



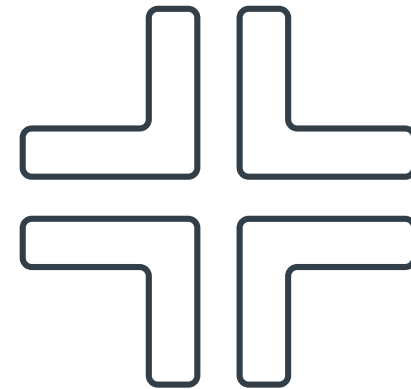
Corporate Charitable Deductions

- + Old: Charitable contributions by C corporations are generally limited to 10% of taxable income, and excess contributions can be carried forward for 5 years
- + OBBA: Adds 1% floor to the deduction, providing no charitable deduction if contributions do not exceed 1% of taxable income
- + Amounts below the floor are lost; amounts above the 10% limit can be carried forward for 5 years
- + Effective for taxable years beginning after December 31, 2025
- + Cost: \$17 billion

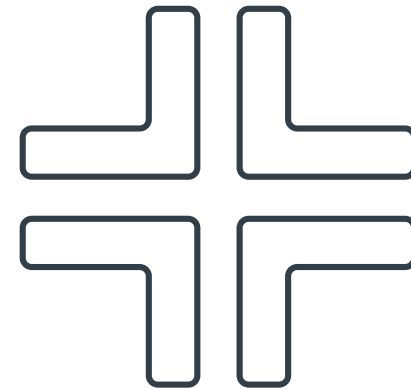


Tax Provisions Not Changed

- + No extension of the 2020 and Q1 & Q2 2021 SOL for Employee Retention Credits (ERCs)
- + No limit on pass-through entity taxes (PTETs) for SSTBs or other businesses
- + No limit on C corporations' ability to deduct SALT
- + No higher tax rate for wealthy individuals with AGIs over \$1 million or \$2.5 million
- + No change to corporate tax rates or capital gain tax rates



IRS Update and IRC Code Section 501(r)

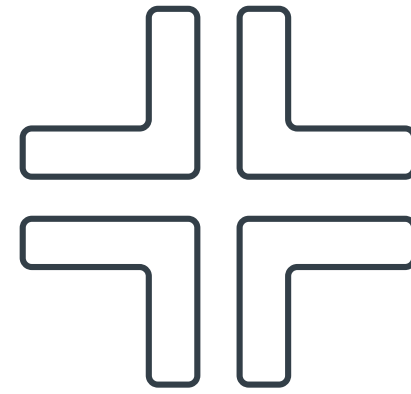


Kwong v. United States

- + Until November 2021, a mandatory extension was provided under §7508A(d) for federal declared disasters:
 - Beginning on the earliest incident date of the disaster and
 - ending 60 days after the disaster incident period closed.
- + COVID-19 deemed to begin on **January 20, 2020**, and end on **May 11, 2023**
- + **Ruling:** Kwong held that the mandatory suspension arises directly from the statute – **not from discretionary IRS guidance.**

What Kwong Changed

From January 20, 2020 through July 10, 2023 deadlines postponed for:
(60 days after May 10th)



Filing
federal
income, estate,
gift,
employment &
excise tax
returns



Paying
those taxes
including
installments &
other federal
tax liabilities



Calculated
interest
&
penalties

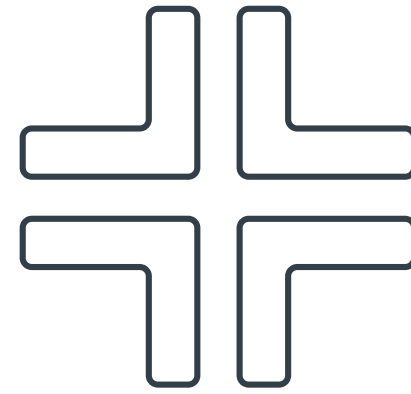


Filing claim
for credit of
refund

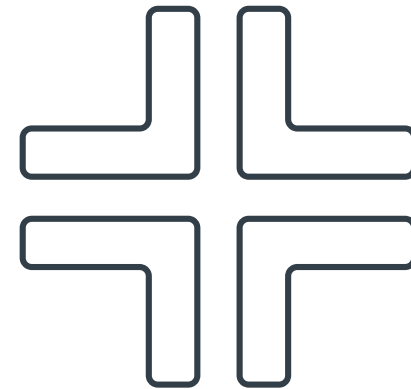


Bringing suit
on such
refund claims

Example

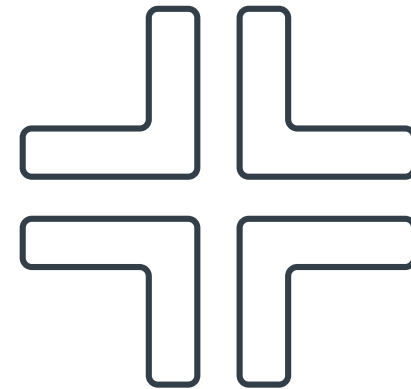


- + **Facts:** Assume a calendar year corporate taxpayer's 2020 federal income tax balance was due on April 15, 2021, but the corporation did not pay the balance until August 1, 2022. The IRS assessed failure-to-pay penalties and underpayment interest from April 15, 2021, to August 1, 2022.
- + **Analysis:**
 - + The taxpayer's payment due date fell squarely within the COVID-19 disaster suspension period – January 20, 2020, through July 10, 2023;
 - + §7508A(d) requires that period to be disregarded,
 - + any assessment of failure-to-pay penalties and underpayment interest would be improper.



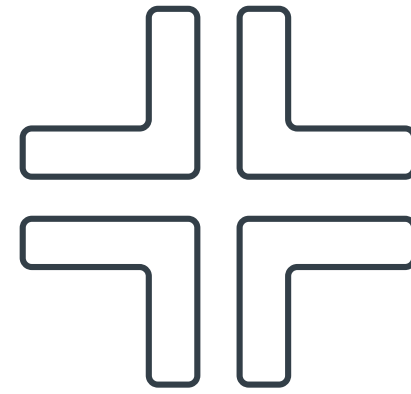
Refund Claims Deadline

- + In general, refund claims MUST be filed by July 10, 2026
- + Under §6511(a), a refund claim generally must be filed within three years from the time the return was filed, or two years from the time the tax was paid, whichever is later.
- + If a return is filed on or before its due date, the filing date is treated as the due date.



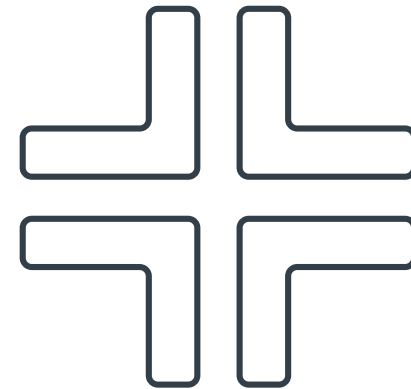
Type of Penalties

- + Late Filing or Payment
- + Failure to file certain international forms including Form 5471 or 5472
- + Interest Accrued



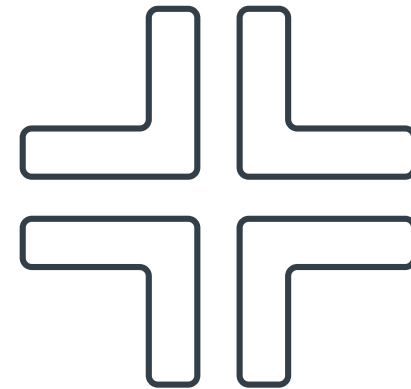
IRS Group Exemption Rulings

- + Revenue Procedure 2026-8, issued January 20, 2026
- + Moratorium lifted
- + Form 8940, Request for Miscellaneous Determination
- + Generally, allows a group of affiliated tax-exempt organizations to file a consolidated Form 990. The parent organization (central organization) still files its own separate Form 990 and its affiliates (subordinate organizations) file a consolidated Form 990



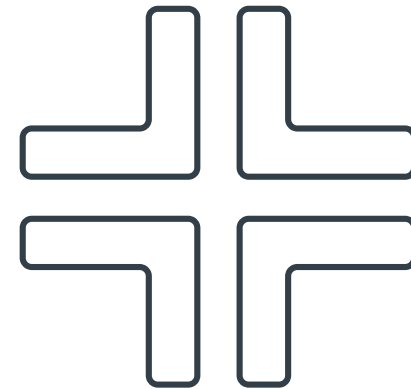
IRS 2025-2026 Priority Guidance Plan

- + Regulations under IRC 4968
- + Guidance under 4960
- + Regulations under 4945
- + Final regulations under 4966
- + Guidance on the public-policy prohibition
- + Guidance on the Johnson Amendment



Hospital IRS Areas of Focus

- + IRC Section 501(r) initiatives
- + Form 990 Schedule H Community Benefit
- + 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 hospitals with a focus on community benefit compliance.

Form 4564

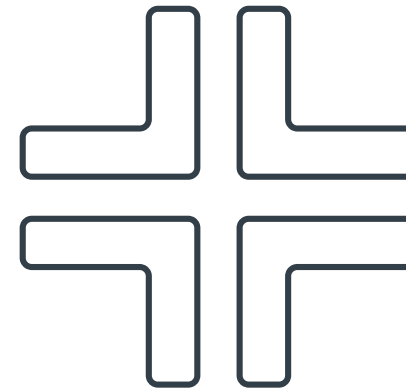
Form 4564	Department of the Treasury-Internal Revenue Service INFORMATION DOCUMENT REQUEST	Request Number
To:	Tax Period Ending: 2014/12	
	Subject: IRC § 501 (r)(3): CHNA and Implementation Strategy Plan.	
	EIN:	Submitted to:
	Dates of Previous Requests N/A	

Description of Documents Requested:

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.

Your Form 990, Schedule H, for 201412 shows in Part V, section A, that you operated multiple hospital facilities (HFs) within your healthcare system:

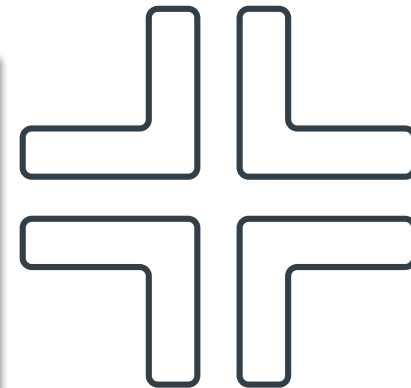
1. Please provide a copy of each HF's CHNA conducted during the 2014/12 tax year or in either of the two immediately preceding tax years.
2. Provide the dates that each CHNA was adopted by an authorized body of the hospital facility and evidence of each CHNA's adoption (i.e., copies of board meeting minutes or resolutions, etc.).



Form 4564

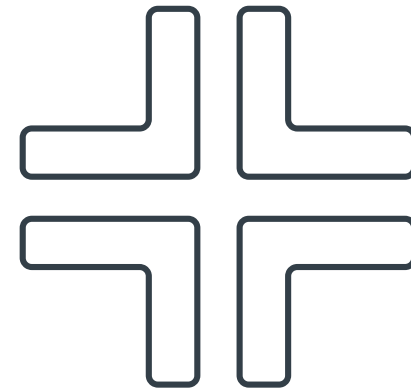
3. In your response to question #7a on Schedule H, Part V, Section B, you indicated that you made each HF's CHNA report widely available on _____ We could not locate any CHNAs posted to that particular website. Please provide the exact website address (or URL) where each HF's CHNA was posted on this 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)



- + Current and prior CHNA not posted on hospital website
- + CHNA's that do not address the impact of actions taken since prior CHNA
- + 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
TB Compliance Unit - Attention: [REDACTED]
PO Box 1190 Mail Stop 1112
Ogden, UT 84402-1190

[REDACTED]
[REDACTED]
[REDACTED]

Date:
May 09, 2024
Taxpayer ID number:

Form:
Website
Tax periods ended:
Website

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:

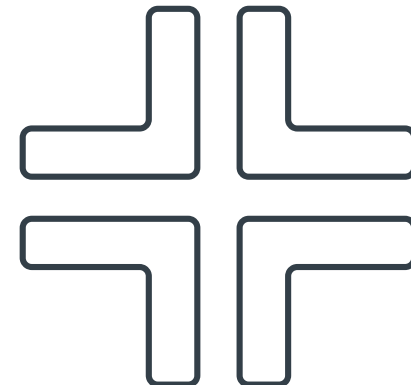
- Online, by phone, or with a mobile device.
- Visit [IRS.gov/Payment](https://www.irs.gov/Payment) or the IRS2Go mobile app for all IRS payment options.
- If you plan to mail a payment, consider the electronic options at [IRS.gov/Payment](https://www.irs.gov/Payment) first. It's free to pay from a bank 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 49530Q



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

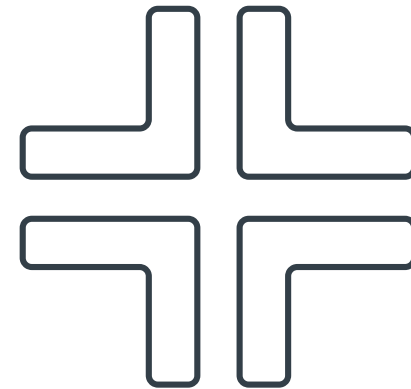
Enclosures:

Publication 1

Notice 609

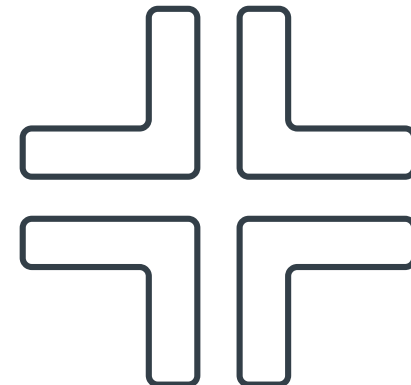
Form 13837, Compliance Check Information Request - 8014

Letter 4204 (Rev. 11-2023)
Catalog Number 46620Q



Form 13837

Page 1 of 2		
Form 13837 (March 2023)	Department of the Treasury - Internal Revenue Service 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:		
☐ We couldn't locate the FAP. ☒ We couldn't locate the FAP plain language summary. ☒ 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).		
☐ 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.		
☐ Eligibility criteria for financial assistance, and whether that assistance includes free or discounted care. ☐ The basis for calculating amounts charged to patients. ☐ The method for applying for financial assistance. ☐ 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. ☐ 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. ☐ 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 40252A	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

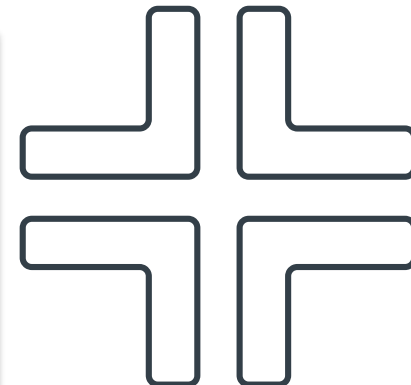
Provide a complete response below to the information we're requesting above. Use the mailing instructions on the front page of this letter to send your response to us.

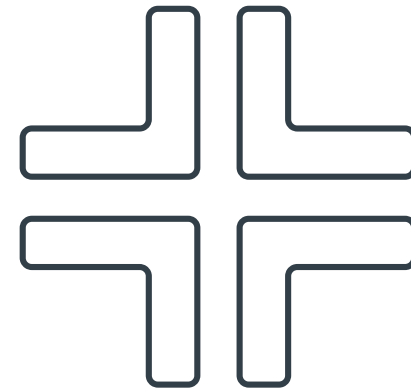
Instructions: Attach a copy of this form to the front of the requested information along with a copy of the accompanying letter and any information requested in the letter.

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.

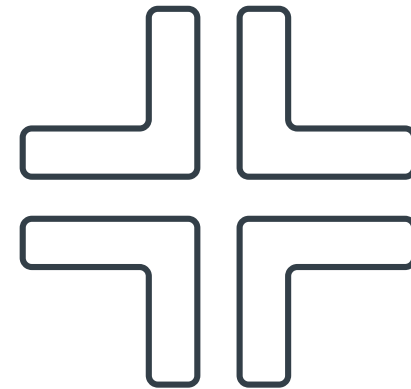




IRC 501(r) Most Common Mistakes

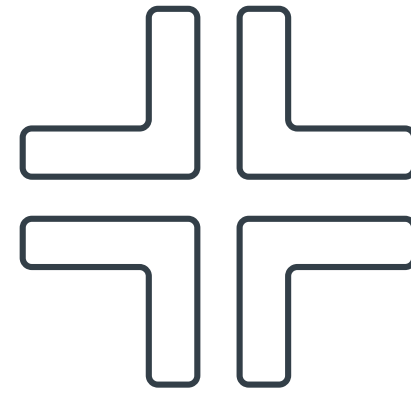
IRC 501(r)(4)(5) & (6)

- + No reference to AGB/AGB not updated
- + Lack of LEP translations/all required documents not translated into LEP languages
- + Missing provider listing/provider listing not updated
- + No reference to billing & collection policy
- + Reference to appendix/exhibits that do not exist
- + Broken website links
- + FAP information not easily found within website



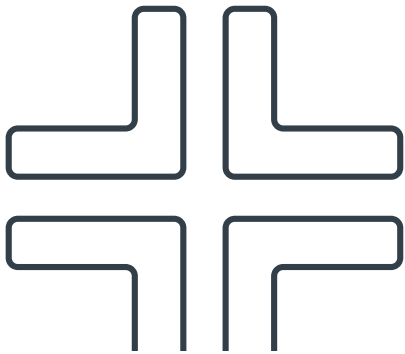
Community Benefit

Form 990, Schedule H – Community Benefit



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

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

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](#)



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

- + States implementing mandatory community benefit reporting.
- + Mandatory minimum community benefit spending.
- + 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		● Unconditional community benefit requirement ○ Conditional community benefit requirement ■ Requirement (either conditional or unconditional) Blank = No requirement				Click map icon to see which states have that particular requirement				■ State tax exemption ✗ 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.

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Pennsylvania Hospitals' Community Impact

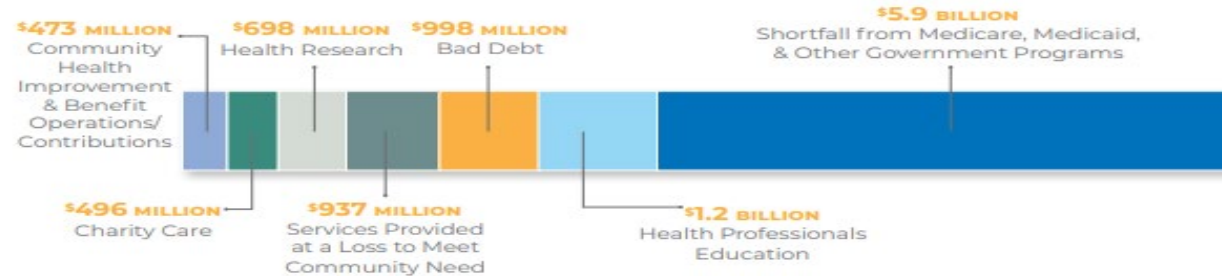
Fiscal Year 2024



Pennsylvania can't have healthy, competitive communities without strong hospitals. Hospitals provide care and improve health, are economic anchors and job creators, and enable vibrant communities where people want to live and businesses can grow.

Community Benefit

\$10.8 BILLION total community benefit



Economic Impact

Economic Activity
\$195.4 BILLION



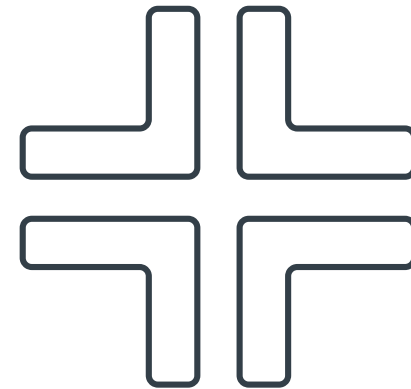
Jobs
785,715

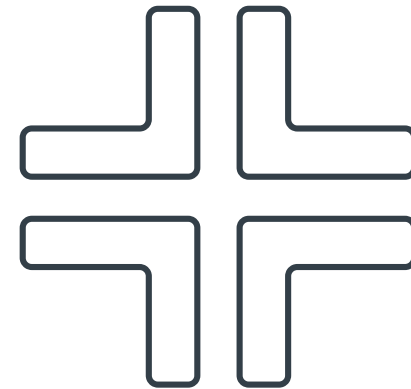


Wages
\$62.8 BILLION



PA hospitals support **1 in 8** jobs and **19%** of the state's GDP.



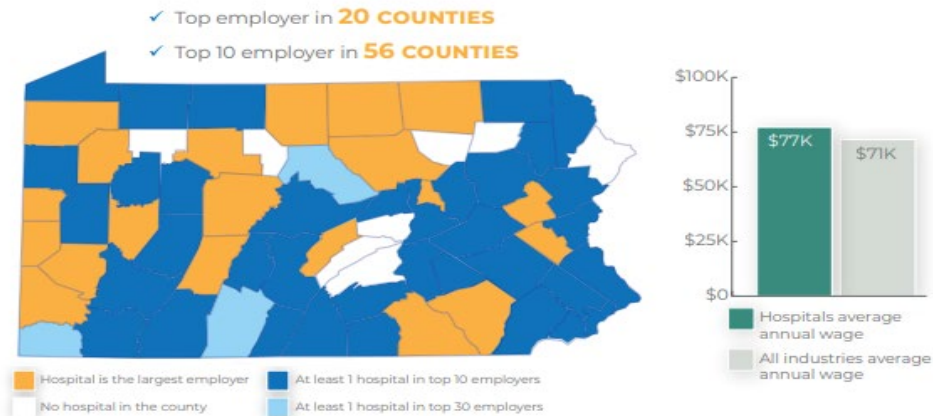


Pennsylvania Hospitals

Care for Pennsylvanians



Create Good Paying Jobs

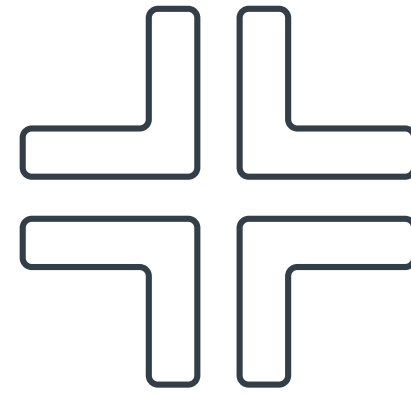


HAP based its FY 2024 analysis on data from the U.S. HHS Hospital Cost Report Information System, PA L&I Center for Workforce Information and Analysis, IRS Schedule H filings, Pennsylvania DOH Hospital Questionnaire, U.S. BEA, and information reported directly from member hospitals and health systems.

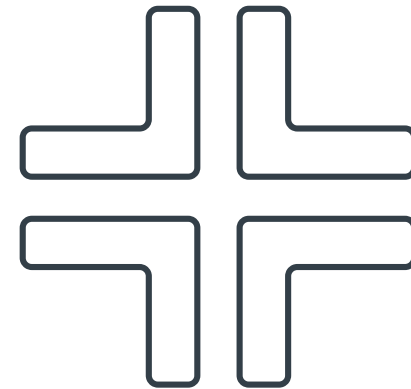


Additional sources and methodology:
www.haponline.org/About-PA-Hospitals/Community-Impact

AMA calls for Tougher Oversight of Nonprofit Hospitals



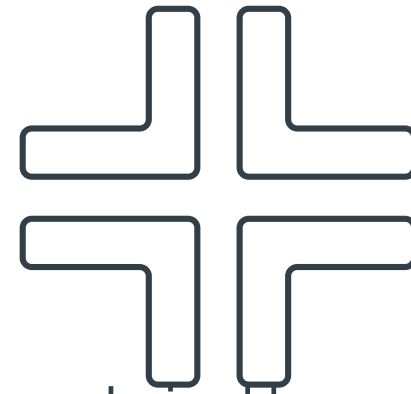
- + November 11, 2024 during their semi-annual meeting.
- + “Federal and state authorities should toughen enforcement of community benefit requirements and penalize or revoke the tax-exempt status of nonprofit hospitals that “provide little or no community benefit,” the AMA said in a news release Monday.”
- + 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

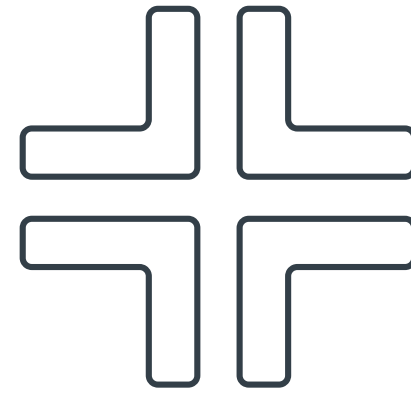
- + JAMA Network (Journal of the American Medical Association) released study on September 26, 2024. Researchers at Johns Hopkins Bloomberg School of Public Health, Johns Hopkins Carey Business School, and Texas Christian University. Please click [here](#) to view the full study.
- + Analyzed financial 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.
- + AHA released study shortly thereafter. Please click [here](#) to view the full article. Nonprofit hospitals tax exemptions amounted to \$13.2 Billion in 2020.
- + 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



- + Majority Staff Report of the Senate Health, Education, Labor, and Pensions Committee, chaired by Senator Bernie Sanders.
- + 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.
- + Reviewed tax documents of 16 of the largest U.S. tax-exempt hospitals and determined:
 - + 12 of these 16 hospitals dedicated less than 2% of their revenue to charity care.
 - + Six dedicated less than 1% of total revenue to charity care.
 - + 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

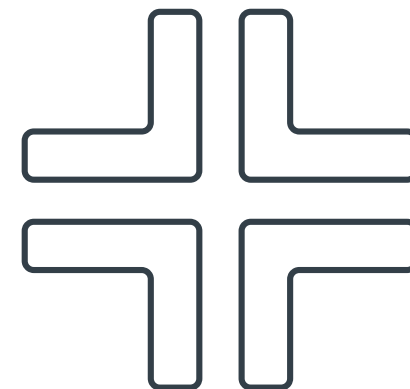
Executive Charity

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

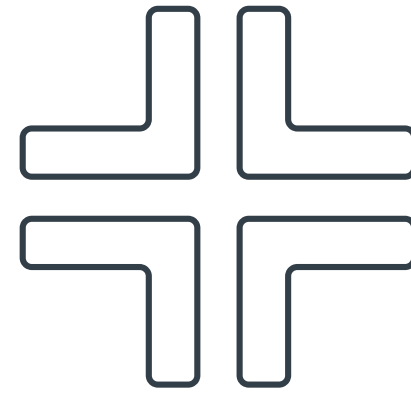
Introduction

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

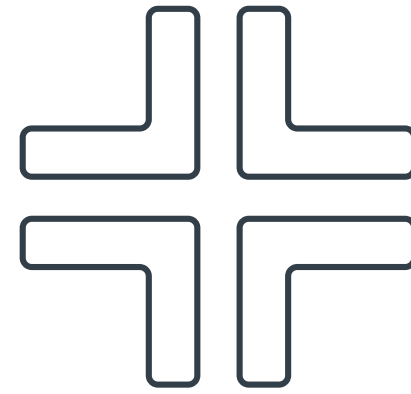


Healthcare Tax Prospectively



- + Federal tax act out of Washington D.C. in July 2025
 - + Expansion of covered persons for purposes of the 21% excise tax rate on administrative compensation > \$1M.
 - + Federal tax-exemption for hospitals; continued scrutiny.
- + House Ways & Means Subcommittee hearing re tax-exempt hospitals held on Tuesday September 16, 2025.
- + IRS desk reviews and potential hospital audit examinations of the Form 990 Schedule H; financial assistance policy; application for financial assistance; billing and collection policy and practices; community health needs assessment and implementation strategy will continue.
- + The states and municipalities remain aggressive with respect to challenges of property tax-exemption for tax-exempt hospitals.

House Ways & Means Subcommittee Hearing



- + Held on Tuesday September 16, 2025
- + IRS Form 990 Hides the Ball on Actual Community Benefit Provided by Hospital
- + “Mission Creep”: Tax-Exempt Hospitals not Keeping the Main Thing the Main Thing
- + Taxpayers Funding DEI at Tax-Exempt Hospitals
- + Vague Laws Open the Door to “Indoctrination” as Health Care
- + Mega Hospital Systems Benefit Most from Weak Reporting Requirements
- + Studies: Tax-Exempt Status is Payday for Hospitals



United States House Committee on
Ways & Means
CHAIRMAN JASON SMITH

FOR IMMEDIATE RELEASE
September 9, 2025
No. OS-03

CONTACT: 202-225-3625

**Chairman Smith and Oversight Subcommittee Chairman Schweikert
Announce Subcommittee Hearing on Virtue Signaling vs. Vital Services:
Where Tax-Exempt Hospitals are Spending Your Tax Dollars**

House Committee on Ways and Means Chairman Jason Smith (MO-08) and Oversight Subcommittee Chairman David Schweikert (AZ-01) announced today that the Subcommittee on Oversight will hold a hearing on tax-exempt hospital spending on expenses unrelated to community benefit. The hearing will take place on **Tuesday, September 16, 2025, at 2:00 PM in 1100 Longworth House Office Building.**

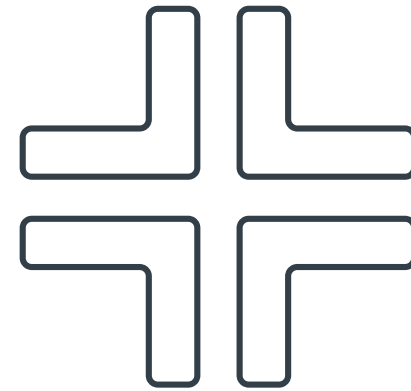
Members of the public may view the hearing via live webcast available at <https://waysandmeans.house.gov>. The webcast will not be available until the hearing starts.

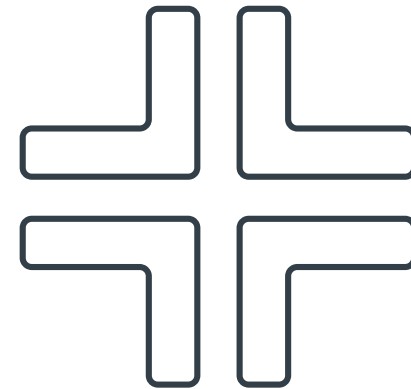
In view of the limited time available to hear the witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record can do so here: WMSubmission@mail.house.gov.

Please ATTACH your submission as a Microsoft Word document in compliance with the formatting requirements listed below, **by the close of business on Tuesday, September 30, 2025.** For questions, or if you encounter technical problems, please call (202) 225-3625.

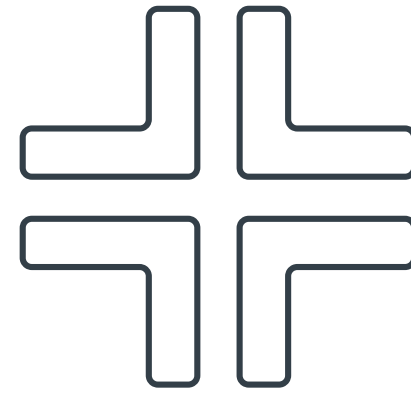




Healthcare Tax Prospectively

- + House Ways & Means Subcommittee Hearing re tax-exempt hospitals held on Tuesday September 16, 2025.
 - + Charity care vs. value of Federal tax-exemption
 - + Charity care vs. other categories of community benefit
 - + Appropriate IRS Code Section 501(c)(3) tax-exempt hospital expenditures
 - + Form 990 changes
 - + Schedule H – more transparency and more enforcement mechanisms
 - + Detail behind the #'s
 - + Separate Schedule H's by hospital facility
 - + More IRS audits!

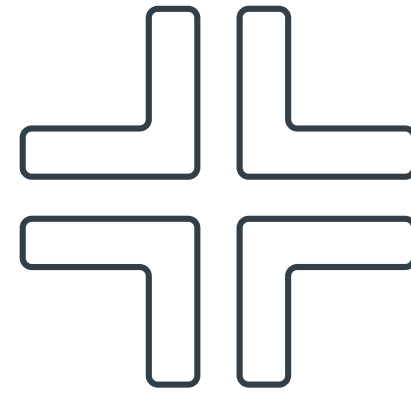
Hospitals – Basis for Federal Tax-Exemption



- + Revenue Ruling 56-185 – “Charity Care Standard” is not the current standard!
- + Revenue Ruling 69-545 - “Community Benefit Standard” replaced the charity care standard.
- + Hospitals are judged on whether they promote the health of a broad class of individuals in the community.
- + Broad class of individuals in the community and Schedule H categories.
- + There are no numerical thresholds for minimum amount of free or discounted care for a hospital to receive Federal tax-exempt status.
- + Senate Finance Committee proposed a 5% minimum threshold regarding Form 990 Schedule H, Part I. Did not pass, however, note that it would have applied a community benefit analysis; not a charity care analysis.

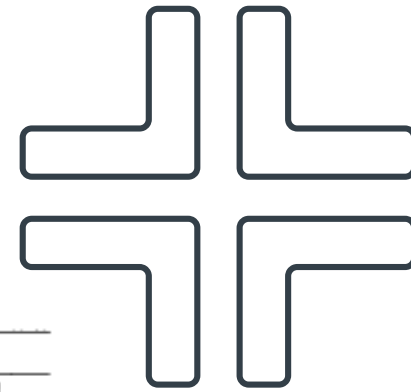
IRS Community Benefit Standard

Rev. Rul. 69-545

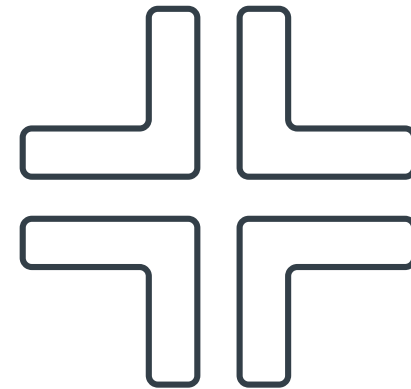


- + Operates a full-time emergency room and no one requiring emergency care is denied treatment;
- + Uses surplus funds to improve the quality of patient care, expand its facilities, and advance its medical training, education, and research programs;
- + Control of the hospital rests with its board of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

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



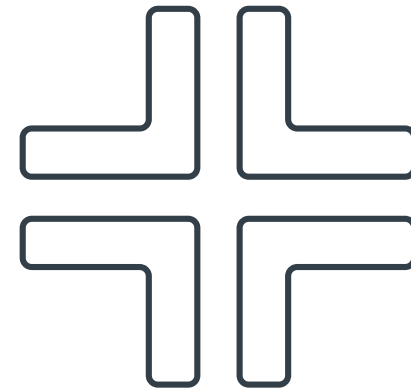
Schedule H Planning Areas

+ Health Professionals Education

- Nurse Residency Program
- Medical residents; do not include indirect GME reimbursement provided by Medicare or Medicaid

+ Subsidized Health Services

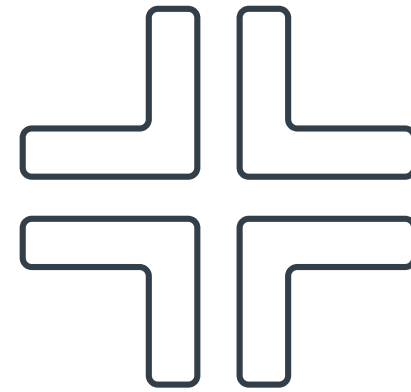
- The service meets an identified community need
- Inpatient programs and outpatient programs
- Community health needs assessment (CHNA)



Community Benefit Best Practices

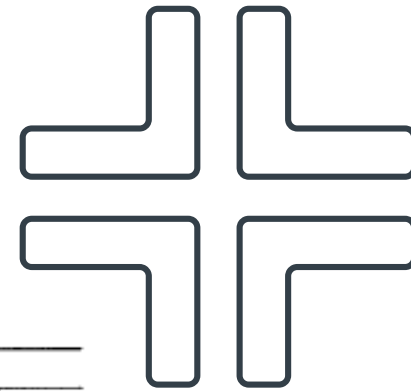
- + IRS / CHA community benefit percentage benchmarking
- + AHA total benefits to the community benchmarking
- + Utilize a written community benefit statement for other information
- + Review your community health needs assessment and identify programs, activities and initiatives and related costs.
- + Quantify the value of your tax-exemption vs. community benefit costs.
- + Charity Care and Medicaid shortfall benchmarking.
- + Board and/or committee involvement.

American Hospital Association Total Benefits to the Community Model



- + Starts with Form 990 Schedule H, Part I
- + AHA model also includes the following from Schedule H
 - Community Building Activity – Form 990 Schedule H, Part II
 - Bad Debt Expense Attributable To Financial Assistance – Form 990 Schedule H, Part III
 - 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

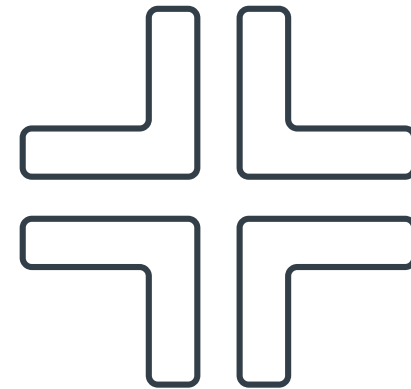
		Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	X	
2	Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.		
3	Enter the estimated 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: ☐ Cost accounting system ☒ Cost to charge ratio ☐ Other	

Section C. Collection Practices

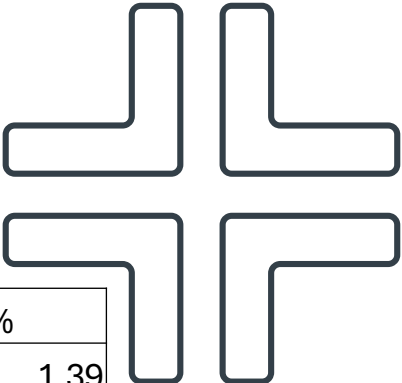
9a	Did the organization have a written debt collection policy during the tax year?	X	
9b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to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



Lown Institute

- + Starts with Form 990 Schedule H, Part I
- + Eliminates
 - Medicaid shortfall
 - Health Professionals Education (HPE)
 - Research
 - Does not recognize AHA additional categories either
- + Fair Share Spending Calculation – 5.9% of a hospital's expenses
- + Municipality expert witness

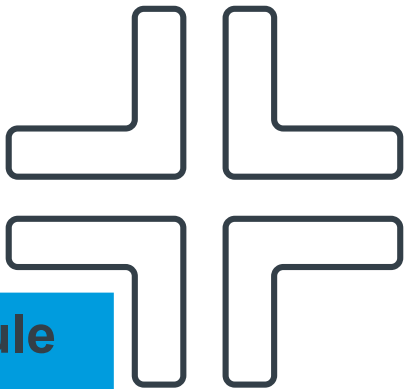
Community Benefit Standards



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)	

Schedule H – Community Benefit Benchmarking

AHA Report 2022 Forms 990



Hospital Category	All Filed 2022 Schedule Hs ^[1]
Financial Assistance, Unreimbursed Medicaid, Unreimbursed Costs From Means-Tested Government Programs	6.60%
Health Professions Education	1.60%
Medical Research	0.50%
Cash and In-Kind Contributions to Community Groups	0.40%
Other ^[2]	1.90%
Total Financial Assistance and Other Community Benefits	11.00%

[1] National Benchmark Comparative
[2] Includes Subsidized Health Services

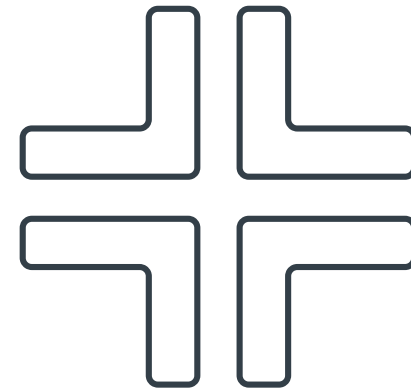


Table 3. Financial Assistance, Means-tested Programs and Certain Other Benefits (Percent of Total Expense)

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 (2,813 Hospitals)	6.6%	1.6%	0.5%	0.4%	1.9%	11.0%
DEMOGRAPHIC COMPARISONS (1,809 Individual Hospitals)						
Size						
Small	5.7%	0.2%	0.1%	0.1%	2.9%	9.0%
Medium	6.3%	0.5%	0.1%	0.2%	2.3%	9.4%
Large	6.9%	2.1%	0.7%	0.3%	1.9%	11.9%
Location						
Rural	5.0%	0.1%	0.0%	0.1%	3.3%	8.5%
Urban/Suburban	6.8%	1.8%	0.6%	0.3%	2.0%	11.4%
Type**						
General Medical	6.5%	1.7%	0.3%	0.3%	2.1%	10.8%
Children's	10.8%	2.1%	2.9%	0.8%	2.6%	19.1%
Teaching Hospital	6.8%	1.9%	0.7%	0.3%	2.0%	11.7%
Critical Access Hospital Status	5.1%	0.2%	0.0%	0.1%	3.5%	8.9%
System-Affiliation						
Affiliated	6.5%	1.8%	0.3%	0.3%	1.8%	10.7%

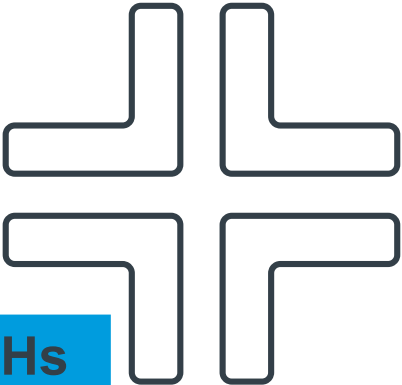
Note: Percentages may not sum to the total percent due to rounding.

* The "Other" community benefit category includes both Community Health Improvement Services and Subsidized Health Services.

** A single hospital can be in more than one type category.

Schedule H – Total Benefits to the Community

AHA Report 2022 Forms 990



Hospital Category	All Filed 2022 Schedule Hs
Financial Assistance, Unreimbursed Medicaid, and Other Unreimbursed Costs from Means-tested Government Programs	6.6%
Total Benefits To The Community	15.1%

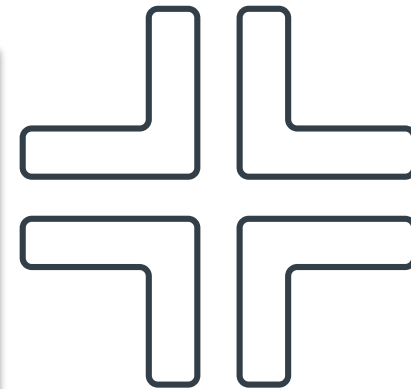


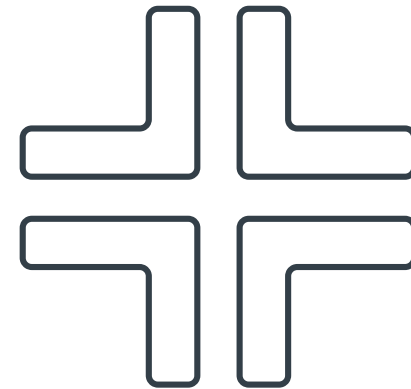
Table 2. Hospitals' Total Benefit to the Community (Percent of Expense)

Schedule H Form	Part I	Part II	Part III		
Hospital Category	Financial Assistance and Certain Other Community Benefits	Community Building Activity	Medicare Shortfall*	Bad Debt Expense	Total Benefits to the Community
DEMOGRAPHIC COMPARISONS (1,809 Individual Hospitals)					
Size					
Small	9.0%	0.1%	1.7%	0.4%	11.1%
Medium	9.4%	0.1%	3.8%	0.3%	13.5%
Large	11.9%	0.0%	3.8%	0.2%	16.0%
Location					
Rural	8.5%	0.1%	1.7%	0.4%	10.7%
Urban/Suburban	11.4%	0.1%	3.7%	0.2%	15.4%
Type**					
General Medical	10.8%	0.1%	3.9%	0.2%	14.9%
Children's	19.1%	0.1%	0.2%	0.1%	19.6%
Teaching Hospital	11.7%	0.0%	3.7%	0.2%	15.7%
Critical Access Hospital Status	8.9%	0.1%	0.6%	0.3%	9.9%
System-Affiliation					
Affiliated	10.7%	0.0%	3.8%	0.2%	14.7%

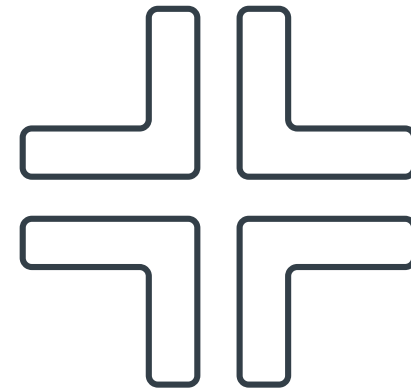
Note: Percentages may not sum to the total percent due to rounding.

* Net shortfall (gross shortfall less surplus).

** A single hospital can be in more than one type category.

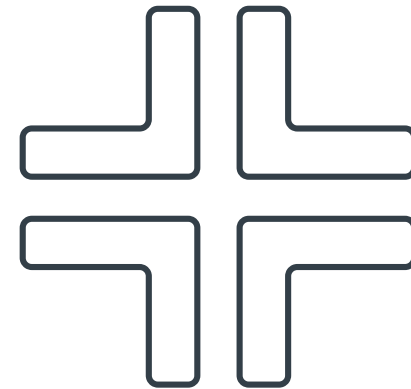


Employment Tax



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



Form 1099 – Payments/Box

1099-MISC

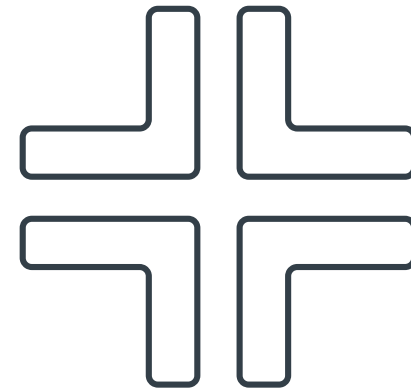
For payments of \$600 or more to vendors for:

- 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



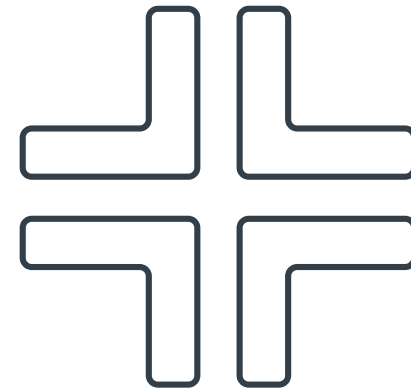
Form 1099 – General Rules

+ 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



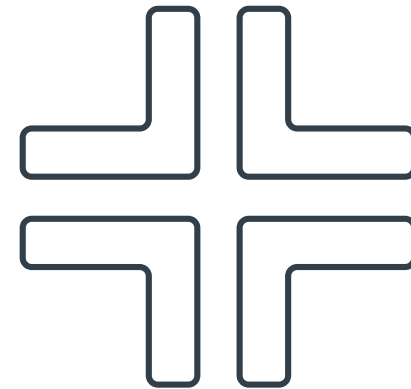
Form 1099 – General Rules

+ 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



2026 Form 1099 Changes!

- + Reporting threshold increased from \$600 to \$2,000 for 1099-MISC and 1099-NEC (OBBBA, 2025)
- + New boxes added for qualified tips and overtime (1099-MISC and 1099-NEC)
- + Businesses filing 10 or more information returns (combined 1099 types) must file electronically.
- + IRS TIN matching program

Form W-9

Form **W-9**
(Rev. March 2024)
Department of the Treasury
Internal Revenue Service

**Request for Taxpayer
Identification Number and Certification**
Go to www.irs.gov/FormW9 for instructions and the latest information.

Give form to the
requester. Do not
send to the IRS.

Before you begin. For guidance related to the purpose of Form W-9, see *Purpose of Form*, below.

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.)

2 Business name/disregarded entity name, if different from above.

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.

☐ Individual/sole proprietor

☐ C corporation

☐ S corporation

☐ Partnership

☐ Trust/estate

☐ LLC. Enter the tax classification (C – C corporation, S – S corporation, P – Partnership)
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.
☐ Other (see instructions)

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 ☐

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any) _____

Exemption from Foreign Account Tax Compliance Act (FATCA) reporting code (if any) _____

(Applies to accounts maintained outside the United States.)

5 Address (number, street, and apt. or suite no.). See instructions.

6 City, state, and ZIP code

7 List account number(s) here (optional)

8 Requester's name and address (optional)

Part I Taxpayer Identification Number (TIN)
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 *How to get a TIN*, later.
Note: If the account is in more than one name, see the instructions for line 1. See also *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number
[][][] - [][] - [][][][][]
or
Employer identification number
[][] - [][][][][][][][]

Part II Certification
Under penalties of perjury, I certify that:
1. 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
2. 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
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.
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.

Sign Here
Signature of U.S. person
Date

General Instructions
Section references are to the Internal Revenue Code unless otherwise noted.
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.
What's New
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.

Purpose of Form
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

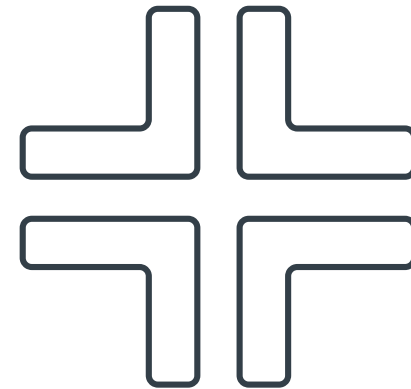
Cat. No. 10231X

Form **W-9** (Rev. 3-2024)

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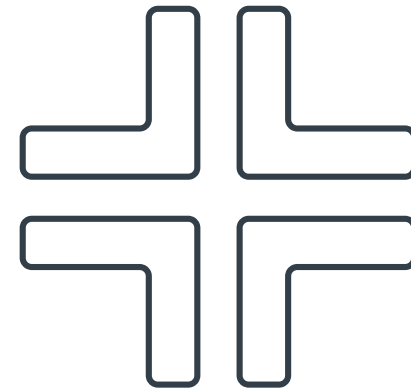
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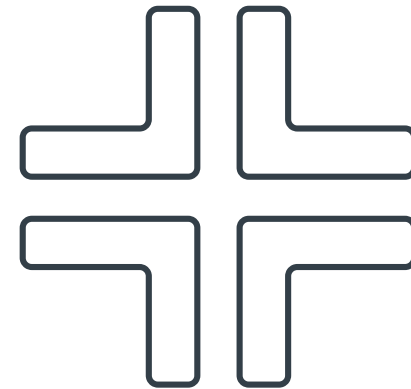
Backup Withholding

- + 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 1281: Backup Withholding for Missing & Incorrect Name/Tin(s)



Backup Withholding

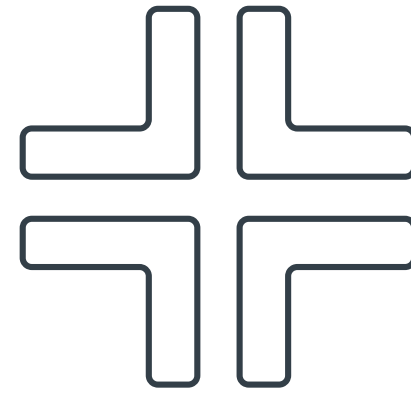
- + IRS Audits
- + Audit back up to 3 years
- + Subject to 24% tax on all payments made to these contractors
- + Form 4669, Statement of Payments Received
- + Contractor lists and certified each payment received was reported on the contractor's income tax return



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

Thank you! Questions?



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