

Bond Case Briefs

Municipal Finance Law Since 1971

IRS Publishes Final, Temporary Regs on Excise Tax Return Requirement for Charitable Hospitals.

The IRS has published final and temporary regulations (T.D. 9629) requiring charitable hospital organizations that are liable for an excise tax for failing to meet the community health needs assessment (CHNA) requirements for any tax year to file Form 4720, "Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code."

The Patient Protection and Affordable Care Act enacted sections 501(r) and 4959. A hospital organization seeking to obtain or maintain tax-exempt status as a charitable organization must comply with the requirements of section 501(r), including the requirement to conduct a CHNA under section 501(r)(3). Section 4959 imposes a \$50,000 excise tax if a hospital organization to which section 501(r) applies fails to meet the requirements of section 501(r)(3) for any tax year.

In April 2013 the IRS issued proposed regs (REG-106499-12) that provided guidance to charitable hospital organizations on CHNA requirements and related excise tax and reporting obligations. Those regs, however, didn't include amendments to the rules under sections 6011 and 6071 on the return required to accompany a section 4959 excise tax payment and when to file the return.

Accordingly, the temporary regs provide that a charitable hospital organization that is liable for the section 4959 excise tax must file a return on Form 4720 by the 15th day of the fifth month after the end of the organization's tax year during which the liability under section 4959 was incurred. The text of the temporary regs also serves as the text of concurrently issued proposed regs (REG-115300-13). The regs are effective August 15, 2013.