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IRS: Tax-Exempt Hospitals May Rely on Proposed Regulations.

The IRS has issued a notice (Notice 2014-2) confirming that tax-exempt hospital organizations can rely on proposed regulations (REG-130266-11, REG-106499-12) under section 501(r) pending the publication of final regulations or other applicable guidance.

In June 2012 the IRS published proposed regs that provide guidance on the new section 501(r) requirements for charitable hospital organizations regarding financial assistance and emergency medical care policies, charges for specified care provided to individuals eligible for financial assistance, and billing and collections. In April 2013 the IRS published proposed regs that provide guidance to charitable hospital organizations on the community health needs assessment (CHNA) requirements and related excise tax and reporting obligations. The regs also clarify the consequences for failing to meet those and other requirements for charitable hospital organizations.

Although the statutory requirements of section 501(r) are already in effect, hospital organizations won't be required to comply with the 2012 and 2013 proposed regs until they are published as final or temporary regs. Because the preamble to the 2013 proposed regs did not expressly mention whether taxpayers could rely on sections other than proposed reg. section 1.501(r)-3 pending the publication of final or temporary regs, some commentators have asked whether they can rely currently on the other sections of the 2013 proposed regs. Treasury and the IRS confirm that tax-exempt organizations may rely on all the provisions of both the 2012 and 2013 proposed regs pending the publication of final or temporary regs or other applicable guidance. Also, organizations may rely on reg. section 1.501(r)-3 of the 2013 proposed regs for any CHNA conducted or implementation strategy adopted on or before the date that is six months after final or temporary regs are published.

<http://www.irs.gov/pub/irs-drop/n-14-02.pdf>