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IRS Hopes to Publish Final Charitable Hospital Regs by Year-End.

The IRS hopes to release final regulations on the requirements of section 501(r) for tax-exempt hospitals by the end of the year, Preston Quesenberry, senior technical reviewer (exempt organizations), IRS Office of Associate Chief Counsel (Tax-Exempt and Government Entities), said April 25.

Quesenberry spoke in Arlington, Va., at a conference sponsored by the Georgetown University Law Center's Continuing Legal Education program.

The final regulations appear on the third quarter update to the 2013-2014 priority guidance plan. A Treasury official noted in March that exempt hospitals can rely on previously proposed regs (REG-106499-12, REG-130266-11) until the final regs are published.

Section 501(r) was enacted under the Affordable Care Act and contains new rules for tax-exempt hospitals. In late December the IRS published a proposed revenue procedure in Notice 2014-3, 2014-3 IRB 408, designed to help hospitals correct unintended violations of the new rules.

The IRS received only six comments on the notice, and the comment period is closed, Quesenberry said.

The proposed revenue procedure includes a few "very bare-boned" examples, Quesenberry said. One example he cited was that if a hospital fails to adopt a community health needs assessment report that contains all the required elements, the correction could be adopting a corrected report and posting it online.

"The thought was that once both the IRS and the hospitals gain more experience with implementation of the 501(r) requirements and with the type of failures that tend to occur, that we would be able to provide additional examples that could cover more scenarios and situations," Quesenberry said.

Form 990 Changes for Hospitals

Exempt hospitals will face two significant changes in completing the hospital schedule of their 2013 Form 990 information return, another IRS official said at the conference.According to Garrett Gluth, a tax law specialist (exempt organizations) in the IRS Tax-Exempt and Government Entities Division, organizations filing Schedule H, "Hospitals," should complete Part V, Section C, which asks for supplementary information to the answers provided in Part V, Section B. That section asks about a hospital's community health needs assessments, financial assistance policies, emergency medical care policies, and charges to individuals eligible for assistance under the financial assistance policies. Gluth said a hospital should provide the information in Section C separately for each of its facilities, adding that Section C is designed to provide a cleaner way to supplement responses to section B.

The IRS also changed instructions for the community benefit table in line seven of Part I to say that contributions to a hospital that are restricted for a community benefit purpose should be reported as offsetting revenue for the type of community benefit they provide, Gluth said.

“This change provides more complete, accurate reporting and added transparency, treating restricted grants equally with other offsetting revenue on Schedule H, Part I,” Gluth said. “And of course that change doesn’t change a hospital’s actual community benefit, only how those numbers are presented in the two columns of Schedule H, Part I, line seven.”

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