



Tax News & Views

Health Care and Nonprofit Edition

IRS Releases Two New Compliance Strategies

The Tax-Exempt and Government Entities (TE/GE) division of the Internal Revenue Service provides information about its priorities, compliance strategies, and other information to the public on its [website](#). Recently, TE/GE added two new compliance strategies:

- 1. Tax-Exempt Hospitals:** *"The focus of this strategy is on compliance with the Patient Protection and Affordable Care Act (PPACA). We will verify whether tax-exempt hospitals are complying with their statutory obligations under Internal Revenue Code Section 501(c)(3), including the community benefit standard, and Section 501(r). The treatment stream for this strategy is examinations."*

Find it Fast

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Fiscal Year 2025 Budget Blueprint Released

Direct pay election – final regulations

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2. Tax Exempt Collectives using Name, Image and Likeness (NIL) Agreements with Student Athletes:

“The focus of this strategy is to ensure that exempt organizations identified as supporting athletes through the use of their name, image, or likeness, for compensation, disclosed their activities in their application for exempt status and that those activities are in full compliance with the existing legal requirements under Internal Revenue Code Section 501(a). The treatment stream for this strategy is examinations.”

Fiscal Year 2025 Budget Blueprint Released

On March 11, 2024, the Treasury Department released the General Explanations of the Administration’s Fiscal Year 2025 Revenue Proposals (“Green Book”), which provides the Treasury Department’s explanations of the revenue provisions in the President’s budget blueprint proposal (“budget blueprint”). The Green Book addresses tax increases, many drawn from previous budget plans, and targets multinational corporations and other large businesses, the fossil fuel industry, and high-income and high-net worth individuals that was proposed in previous budget packages to pay for tax relief for lower- and middle-class individuals and an array of spending priorities, help ensure the solvency of Social Security and Medicare, and reduce the deficit.

The Green Book includes many tax provisions that could impact tax-exempt organizations and/or their affiliate organizations, including a couple of interest noted here:

- **Corporate rate increase:** The budget blueprint again includes an increase in the corporate tax rate from 21 percent to 28 percent and would make this increase retroactive to taxable years beginning after December 31, 2023.
- **Private foundation issues:** The budget blueprint also renews proposals from last year that would limit the use of donor advised funds to avoid a private foundation payout and a new provision that would exclude payments to disqualified persons from counting toward the private foundation payout requirement.
- **Economic and community development provisions:** Green Book includes various provisions aimed at revitalizing economically distressed communities, including a provision to make the new markets tax credit permanent. The new markets tax credit was last extended by the Consolidated Appropriations Act, 2021 (P.L. 116-260) at \$5 billion each calendar year 2020 through 2025. The administration’s proposal would extend the credit permanently with a new allocation for each calendar year after 2025 at \$5 billion, indexed for inflation after 2026.

It is important to note that the Green Book is not proposed or actual legislation, and it is uncertain at this time how likely it is that any of the specific provisions may be enacted, especially give the disparate tax legislative agendas of Democrats and Republicans in Congress. Deloitte summarized the other provisions of the Green Book: [“Biden doubles down on corporate, high-wealth tax increases in FY 2025 budget blueprint”](#).

Direct pay election – final regulations

The Treasury Department and the IRS on March 11 published in the Federal Register final regulations (T.D. 9988) under section 6417, which provides that “applicable entities” (or “electing taxpayers”) for credits provided in sections 45V, 45Q, or 45X may elect to treat certain credits (“applicable credits”) as a direct payment made against their federal income tax liabilities, thereby allowing such entities a federal tax refund of the amount of the direct payment in excess of any tax liability (the “direct-pay election”).

The Final Regulations would generally apply to taxable years ending on or after March 11, 2024. However, taxpayers and other entities may rely on the Final Regulations in taxable years ending before March 11, 2024, provided the Final Regulations are followed in their entirety and in a consistent manner. The IRS also updated the [elective payment FAQs](#) based on the Final Regulations.

Generally, a direct-payment election may be made by any applicable entity. The Final Regulations provide that an “applicable entity” includes, but is not limited to, section 501(a) tax-exempt organizations, governments of any US territory, State, the District of Columbia, Indian tribal governments, or any political subdivision, agency or instrumentality thereof. Agencies and instrumentalities of the United States are not defined as applicable entities. The Final Regulations also provide that non-profits under State law that do not have federal tax-exempt status are not applicable entities.

The Final Regulations generally follow the definition of “applicable entity” in the Proposed Regulations, with the following changes:

- Include all entities exempt from tax under subchapter F (sections 501 through 530 of the Code), including homeowners associations.
- Include consolidated groups with any applicable entity parent (not just Alaska Native Corporations).
- Include rural electric cooperatives whether or not they are tax-exempt. The preamble to the Final Regulations clarifies that publicly owned utilities and non-profit cooperatives that do not qualify as rural electric cooperatives may still qualify as applicable entities under other definitions, such as agencies or instrumentalities of a state government.
- Clarification on agencies and instrumentalities and political subdivisions of states or territories and subdivisions of Tribes.

New alerts from Deloitte Tax LLP discuss the [final regulations on direct pay](#) and the [proposed regulations for electing out of subchapter K](#) for purposes of the direct-pay election.

Did you know?

Latest report from the Deloitte Center for Health Solutions

Deloitte Center for Health Solutions released its latest report, [Can investors help women's health break through the glass ceiling?](#) This research discusses the growing focus on women's health, despite an overall decrease in venture funding for health tech.

Latest on Tax law changes

The Tax News & Views: Capitol Hills briefings provides [articles](#) and [podcasts](#) on the latest developments with tax legislation on capitol hill.

Upcoming Conferences & D-Briefs

Deloitte Dbriefs are live webcasts that give you valuable insights on important developments affecting your business. Register for the following webcasts or view archived recordings by clicking on the respective hyperlinked button below.



Federal Tax

Hydrogen production credit opportunities

Apr 2 | 1 p.m. ET | 18 GMT

Ongoing Treasury regulation changes and evolving tax credit opportunities can make it challenging to understand the options, benefits, and strategic approaches available for consideration. Participants will review the options available for 45V credit eligibility, the importance of understanding the changing provisions, the application of the credit, and how it can affect their business's strategy.

Register



Multistate Tax

How to effectively manage multistate tax controversies

Apr 9 | 1 p.m. ET | 18 GMT

Effective multistate tax controversy requires strong tax technical skills, an understanding of how state departments of revenue and tax adjudicatory bodies operate, and an ability to develop a tailored audit and appeals strategy that positions a matter for a favorable outcome. Participants will examine specific controversy tools and techniques available to effectively navigate department of revenue audits.

Register



Contacts

Please contact your local Deloitte Tax LLP provider for more information on our services.

Rachel Becker

Milwaukee
rbecker@deloitte.com
+1 414 977 2567

Jessica Karantonis

Costa Mesa
jkarantonis@deloitte.com
+1 714 436 7281

Jolene Cox

Seattle
jcox@deloitte.com
+1 206 716 7563

Jocelyne Miller

San Diego
jocmiller@deloitte.com
+1 619 881 3056

David Dotson

Philadelphia
dadotson@deloitte.com
+1 215 246 2537

Kristina Rasmussen

Minneapolis and Washington National Tax
krasmussen@deloitte.com
+1 612 397 4178

Jeff Frank

Indianapolis
jdfrank@deloitte.com
+1 317 656 6921

Sarah Redden

Minneapolis
sredden@deloitte.com
+1 612 397 4075

Anne Fulton

Minneapolis
anfulton@deloitte.com
+1 612 397 4242

John W. Sadoff, Jr.

Costa Mesa
jsadoff@deloitte.com
+1 714 913 1281

Alicia Janisch

Detroit
ajanisch@deloitte.com
+1 313 324 1442

Jane Searing

Seattle
jasearing@deloitte.com
+1 206 716 7061

Shawna Jansons

Indianapolis
sjansons@deloitte.com
+1 317 656 4386

Jim Sowar

Cincinnati
jsowar@deloitte.com
+1 513 784 7242

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