

## Tax News & Views Health Care Edition

### Treasury 2014-2015 priority guidance plan released

The Department of Treasury released its [2014-2015 Priority Guidance Plan](#) (the "Plan") on August 26, 2014. The Plan contains 317 projects that are priorities for the allocation of Treasury's resources during the plan year from July 2014 to June 2015. The Plan represents projects that Treasury intends to work on actively during the plan year, but does not place any deadline on completion of projects. Treasury generally updates the priority guidance plan on a quarterly basis to reflect additional items that have become priorities and guidance that has been published during the plan year.

Projects on the 2014-2015 plan will provide guidance on a variety of issues important to individuals and businesses, including international taxation, health care, and implementation of legislative changes. The Plan includes 16 projects specifically related to exempt organizations. The projects listed in [blue](#) are new additions to the plan this year.

### Exempt organizations

- Revenue procedures updating grantor and contributor reliance criteria under §§170 and 509.
- Revenue procedure to update Revenue Procedure 2011-33 for exempt organizations Select Check.
- [Regulations under §§501\(a\), 501\(c\)\(3\), and 508 to allow the commissioner to adopt a streamlined application process that eligible organizations may use to apply for recognition of tax-exempt status under §501\(c\)\(3\).](#)
- [Revenue procedure setting forth procedures for issuing determination letters on exempt status under §501\(c\)\(3\) to eligible organizations that submit Form 1023-EZ.](#)
- Proposed regulations under §501(c) relating to political campaign intervention.
- [Final regulations on application for recognition of tax exemption as a qualified nonprofit health insurer under §501\(c\)\(29\) as added by §1322 of the ACA. Temporary and proposed regulations were published on February 7, 2012.](#)
- Final regulations under §§501(r) and 6033 on additional requirements for charitable hospitals as added by §9007 of the ACA. Proposed regulations were published on June 26, 2012, and April 5, 2013.
- Additional guidance on §509(a)(3) supporting organizations.

- [Guidance under §512 regarding methods of allocating expenses relating to dual use facilities.](#)
- [Guidance under §4941 regarding a private foundation's investment in a partnership in which disqualified persons are also partners.](#)
- [Final regulations under §§4942 and 4945 on reliance standards for making good faith determinations. Proposed regulations were published on September 24, 2012.](#)
- [Final regulations under §4944 on program-related investments and other related guidance. Proposed regulations were published on April 19, 2012.](#)
- [Guidance regarding the excise taxes on donor-advised funds and fund management.](#)
- [Guidance under §6033 relating to the reporting of contributions.](#)
- [Final regulations under §6104\(c\). Proposed regulations were published on March 15, 2011.](#)
- [Final regulations under §7611 relating to church tax inquiries and examinations. Proposed regulations were published on August 5, 2009.](#)

### IRS releases 2014 draft Schedule H for hospitals

The Internal Revenue Service (IRS) released the [2014 draft Schedule H, Hospitals](#), and [instructions](#) on September 5, 2014. The majority of the changes to Schedule H appear to reflect the requirements of Internal Revenue Code (IRC) Section 501(r) and the current proposed regulations. Once finalized, the revised Schedule H will be applicable for hospital organizations for tax year 2014.

### Significant changes to the 2014 Schedule H include:

- New question added regarding new hospital facilities (Line 1)
- New question added regarding hospital facilities acquired or placed into service during the tax year (Line 2)
- New question regarding whether a CHNA was conducted with one or more organizations other than hospital facilities and if yes, to list them (Line 6b)
- New questions regarding adoption of an implementation strategy and posting the strategy on a website or attaching to the return (Lines 8-10)
- Updated question regarding how the hospital is addressing the significant needs identified in the most recent CHNA (Line 11)



### Find it Fast

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[IRS releases 2014 draft Schedule H for hospitals](#)

[TIGTA issues report on tax-exempt organizations with delinquent payroll taxes](#)

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#### Part V – Financial Assistance Policy (FAP)

- Updated question regarding eligibility criteria for FAP (Line 13)
- New question regarding the method of applying for financial assistance (Line 15)
- Updated question regarding measures to publicize the FAP application, and plain language summary (Line 16)

#### Part V – Billing and Collections

- Updated questions regarding extraordinary collection practices (Lines 18 and 19)
- Updated question regarding efforts made before initiating extraordinary collection actions (Line 20)

#### **TIGTA issues report on tax-exempt organizations with delinquent payroll taxes**

According to a [report](#) released by the Treasury Inspector General for Tax Administration (TIGTA), a number of tax-exempt organizations have substantial delinquent payroll taxes. While tax-exempt organizations are generally not required to pay income taxes, they are generally required to pay other taxes, such as payroll taxes. TIGTA performed a review to determine if, and to what extent, tax-exempt organizations have known federal tax debt and to identify actions the IRS-Exempt Organizations function has taken to address noncompliance. TIGTA found that more than 64,200 (3.8%) tax-exempt organizations had nearly \$875 million of federal tax debt as of June 16, 2012. While some organizations owed minor amounts, approximately 1,200 tax-exempt organizations owed more than \$100,000 each. Unpaid taxes were often associated with multiple tax years. Yet these tax-exempt organizations received millions of dollars in federal government grants, Medicare, and Medicaid.

The Exempt Organizations (EO) function of the IRS Tax-Exempt and Government Entities division is responsible for promoting compliance with the IRC by tax-exempt organizations. Specifically, EO's examination program's activities include analyzing the operational and financial activities of tax-exempt organizations and developing processes to identify areas of noncompliance, developing corrective strategies, and assisting other tax-exempt organization functions in implementing these strategies. The EO examination program may assess payroll or other taxes and ask for payment of delinquent tax. However, if the tax-exempt organization does not make a payment, the matter is referred to the IRS' Small Business/Self-Employed division, which is responsible for collecting the delinquent debt. The IRC does not authorize the IRS to revoke tax-exempt status based on an organization's failure to pay payroll taxes.

In its report, TIGTA recommended that the IRS EO function

- Coordinate with Small Business/Self-Employed division management to receive relevant collection information,
- Periodically complete analyses to identify tax-exempt organizations that potentially abuse their tax-exempt status for examination (if necessary), and
- Work with the Department of Treasury to evaluate whether a legislative proposal is warranted to strengthen the IRS' ability to enforce payroll tax noncompliance by tax exempt organizations.

In their response to the report, IRS management disagreed with the first two recommendations, but agreed to discuss the third recommendation with the Department of Treasury.

#### **Did you know?**

##### **Changes to Chief Counsel's TE/GE Function**

The IRS recently announced changes to the structure of the Office of Chief Counsel's Tax-Exempt and Government Entities division. The Office of Division Counsel/Associate Chief Counsel (TE/GE) will be divided into two offices: 1) the Office of Associate Chief Counsel (TE/GE) and 2) the Office of Division Counsel (TE/GE). The National Office attorneys will be part of the Office of Associate Chief Counsel and the IRS field attorneys will be part of the Office of Division Counsel. The new structure is intended to align TE/GE with other chief counsel offices. The changes appear to be related to other IRS restructuring changes announced in March 2014, which shifted personnel responsible for published guidance (including revenue rulings and revenue procedures), certain private letter ruling requests, and technical advice from the IRS TE/GE division to the IRS Office of Chief Counsel (TE/GE).

##### **IRS Q&As on information reporting by health coverage providers**

The IRS recently issued [29 questions and answers \(Q&As\)](#) on information reporting by health coverage providers as mandated by IRC Section 6055. The Affordable Care Act added Section 6055 to the IRC, which provides that every provider of minimum essential coverage will report coverage information by filing an informational return with the IRS and furnishing a statement to individuals. The information is used by the IRS to administer compliance with the individual shared responsibility provision in IRC Section 5000A. Information reporting under Section 6055 is voluntary for calendar year 2014. Reporting is first required in early 2016 for calendar year 2015.

### Updated per diem rates for business travel

[Notice 2014-57](#) provides the 2014-2015 special per diem rates for taxpayers to use in substantiating the amount of ordinary and necessary business expenses incurred while traveling away from home. Per diem rates for purposes of the high-low substantiation method have been increased and the list of high-cost localities has been updated. The notice is effective for per diem allowances that are paid to any employee on or after October 1, 2014, for travel away from home on or after October 1, 2014.

### IRS and DOL guide for retirement plan reporting and disclosure issues

Retirement plans are generally required by law to file certain forms with the IRS and Department of Labor (DOL) and to send out notices to affected parties when certain events happen, such as when the plan requests a ruling from the IRS. Different reporting and disclosure requirements apply depending on the type of plan and the plan's circumstances. The IRS has published a [chart](#) summarizing plan sponsors' responsibilities on Form 5500 annual reports, participant notices, and other items.

### Deloitte thoughtware

**Health Reform.** The health reform bills (HR3590 and HR4872) are now law and will trigger sweeping changes and possible disruptions — some rather quickly and some over many years. The industry is asking, “What now?” At Deloitte, we continue to explore and debate the specific questions facing the industry, and we look forward to helping our clients find and implement the appropriate answers for their organizations. To learn more, visit [Health Care Solutions](#) on the Deloitte website.

**Health Care Regulation.** With quality in the spotlight on a national level, hospitals across the country are renewing their commitment to confirming that their services meet the core measures for quality set by the government and that internal controls are in place to help determine that the collection and reporting of quality data is accurate, complete, and compliant with government reporting requirements. The financial and operational impacts of regulation and legislative oversight in the life sciences and health care industries are pervasive and constantly changing. [@Regulatory](#) is a monthly publication that appraises readers of the latest regulatory, legislative, and other public policy developments affecting life sciences and health care organizations. Visit [@Regulatory](#) on the Deloitte website.

## Deloitte Dbriefs

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.



### Multistate Tax

**MTC Update: Are You Keeping Pace with the Latest Changes?** October 07, 2:00 p.m. ET

A number of Multistate Tax Commission (MTC) initiatives could soon impact companies conducting business across state lines. What should you be aware of and how can you prepare for possible state tax law and regulation changes? Learn about potential effects of recently adopted and proposed MTC initiatives and explore ways to prepare for changes as states seek to follow suit.

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### Transfer Pricing

**Transfer Pricing and M&A: It's Never Too Early To Begin Your Planning** October 08, 2:00 p.m. ET

Businesses often rely on acquisitions to expand their footprint across state and international borders. In the context of mergers and acquisitions (M&A), what types of transfer pricing issues can arise? Explore transfer pricing issues that often arise in the context of M&A.

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### Tax Controversy

**Tax Information Reporting: New Forms and Year-End Requirements** October 09, 2:00 p.m. ET

The IRS has issued new and updated forms with new requirements for both Chapter 3 and Chapter 4. What do tax, treasury, and accounts payable departments need to address as they incorporate these forms into their documentation and reporting processes? Understand the evolving information reporting landscape and issues your company may face as the IRS continues its focus on information reporting and routinely includes this area in its audits.

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### Tax Operations

**Building the Business Case for Tax Transformation** October 23, 2:00 p.m. ET

Many factors drive tax function transformation. But when is it time to launch the transformation and how can you convince management to invest in enabling technology? Learn practical steps for building a tax transformation business case and implementation road map to drive sustainable change both in the tax department and across the broader organization.

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### International Tax

**U.S. Inbound Investment: Tax Considerations of Financing Alternatives** October 30, 2:00 p.m. ET

Non-U.S. headquartered companies often focus on tax efficient financing structures when establishing or expanding its U.S. presence. But what about the tax implications beyond the structure itself? Learn ways to assess and articulate tax implications of financing decisions for U.S. inbound investments.

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