

Tax News & Views Health Care Edition

Updated IRS procedures for exempt organization audit selection process

On April 29, 2016, the Internal Revenue Service (“IRS”) issued memorandum [TEGE-04-0416-0008](#) in response to the Government Accountability Office report titled “*IRS Examination Selection: Internal Controls for Exempt organizations Selection Should be Strengthened*” which recommended strengthening the procedures used to document decisions to review a return in lieu of conducting an audit. The memorandum modified IRM 4.75.16.3.2 and now requires agents and managers making the determination to survey a return to provide sufficient written justification and documentation including Form 1900 or Form 2503.

The modifications include:

- Group Managers must review an agent’s justification for surveying a return.
- Group Managers should only sign the Forms if they are in agreement with the agent’s justification
- Agents must enter the justification in the remarks and comments box.

Other survey procedures were not affected by the memorandum.

Limited penalty relief for Form 1098-T filers for 2016

The IRS recently released [Announcement 2016-17](#) providing notice that the IRS will not impose penalties for calendar year 2016 under Internal Revenue Code (“IRC”) section 6721 or 6722 if eligible educational institutions continue to report the aggregate amounts billed rather than the aggregate amounts received for qualified tuition and related expenses on Form 1098-T. For reporting periods prior to January 1, 2016, IRC section 6050S(b)(2) allowed eligible educational institutions to report either the aggregate amount of payments received for qualified tuition and related expenses or the aggregate amount billed for such tuition and expenses. Effective for reporting periods beginning after December 31, 2015, Section 212 of the Protecting Americans from Tax Hikes Act of 2015

amended section IRC 6050S(b)(2) by eliminating the option to report aggregate qualified tuition and related expenses billed for the calendar year.

Announcement 2016-17 was issued in response to concern from educational institutions that the law changes would require software reprogramming and other changes that could not be implemented in time to meet filing and furnishing due dates for calendar year 2016.

Did you know?

User fee reduced for Form 1023-EZ

Per Revenue Procedure 2016-32, the IRS recently reduced the user fee associated with Form 1023-EZ, “Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.” The user fee has been reduced from \$400 to \$275 effective as of July 1, 2016. The user fee continues to be paid through the IRS website pay.gov. To be eligible to use Form 1023-EZ, organizations must have annual gross receipts of less than \$50,000 for the previous 3 tax years and projected gross receipts of less than \$50,000 for the current tax year and next 2 years. Total assets may not exceed \$250,000. Certain organizations, such as churches, colleges and universities, hospitals, supporting organizations, and foreign organizations are not eligible to use Form 1023-EZ.



Find it Fast

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Did you know?

Changes to Arizona sales tax exemption forms may impact healthcare providers

The Arizona Department of Revenue (“DOR”) recently made revisions to various sales tax exemption certificate forms. As usual, most of the certificates allow customers to specify whether the certificate is valid for a single transaction or for a period of time. But now, for the first time, the DOR specified that certain certificates cannot cover a period exceeding 12 months.

Revisions to Arizona Form 5000

Arizona Form 5000 allows Arizona taxpayers to document a wide variety of exemptions. The DOR made several changes to this form besides suggesting that it may be issued only for periods of up to 12 months. For instance, the DOR specified that taxpayers should begin documenting sale for resale exemptions on Arizona Form 5000A instead of on Form 5000.

Revisions to Arizona Form 5000A

Arizona Form 5000A is used to document sales for resale and, the department claims, may not be issued for a period to exceed 12 months. The department added some language on this form to explain that some customers, such as US government agencies and unlicensed Arizona school districts, may purchase items for resale without providing a sales tax license number. The department indicated that those nonprofit organizations that qualify to purchase items for resale in Arizona should attach a copy of their IRS determination letter to this exemption certificate.

New Certificate for Healthcare Organizations

New Arizona Form 5000HC is used to document exemptions for transactions with nonprofit healthcare institutions, including qualifying hospitals, qualifying healthcare organizations, qualifying rehabilitation centers for mentally or physically disabled persons, and qualifying community health centers. These organizations must obtain an annual exemption letter from the department, and Arizona Form 5000HC is valid only for the period covered by their exemption letter.

Deloitte Thoughtware

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Health Sciences

Bending the cost curve for health care providers: When traditional approaches aren't enough June 14 1:00 PM ET

Optimizing supply chain and revenue cycles, managing labor costs, and improving clinical efficiency have traditionally been effective ways for health plans to improve margins, but they don't truly bend the cost curve. How are forward-looking health systems taking a more critical look at their structures and operating models to reinvent their approach?

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Tax Controversy

Tax refund claims: A window into the Joint Committee on Taxation's review process June 16 2:00 PM ET

The Joint Committee on Taxation (Joint Committee) is a nonpartisan congressional committee involved in the tax legislative process. What critical role does it play in the review of tax refunds and why is it important to you?

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Driving Enterprise Value

Finance analytics demystified: Unlocking the value of data-driven decision-making June 22 3:00 PM ET

Finance functions are increasingly expected to use analytics effectively given recent technical advances in data warehousing, processing, and visualization. So why, even with new tools, do some finance organizations fail to realize meaningful benefits?

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Financial Reporting

Quarterly accounting roundup: An update on important developments June 28 2:00 PM ET

Do you know what issues the standard-setters and regulators have been addressing lately?

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