

## Tax News & Views Health Care Edition

### IRS releases TE/GE program letter for FY 2015

The Internal Revenue Service (IRS) Tax-Exempt and Government Entities (TE/GE) division recently released a [program letter](#) for fiscal year 2015 outlining TE/GE's priorities and focus for the coming year. The letter highlights the key areas of focus for FY 2015, which align with the new IRS Strategic Plan FY2014-2017 by specifically looking at strengthening the IRS' strategic foundation for organizational excellence. The program letter describes TE/GE's focus on accountability and transparency, including the following areas:

1. Continuous improvement
2. Knowledge management
3. Employee engagement and development
4. Data-driving decision making
5. Risk management

Facing a significant backlog of exemption applications in FY 2014, TE/GE used the Lean Six Sigma process to develop ways to streamline the exemption application process. One development was the creation and implementation of the Form 1023-EZ to provide a simpler process for small exempt organizations to apply for exemption. Building off this process, TE/GE will continue to develop ways to improve processes, reduce taxpayer burden, and capture opportunities to eliminate waste. During FY 2015, TE/GE will review and improve the application process for all exempt organizations.

TE/GE will also focus on developing technical expertise among employees and managers. TE/GE will encourage collaboration among various functions, such as rulings and agreements, examinations, and counsel; develop a repository of resources that can be easily accessed by IRS employees; and ensure that TE/GE employees take consistent and correct positions.

Data-driven decision making will be integrated into daily workflow to better understand and meet customer needs, improve program delivery and enhance the transparency of TE/GE's decision-making process. Data-driven strategies include the development of sophisticated analytics and research capabilities to provide insight, identify trends, and predict business issues and demands.

### Year-end guidance on charitable contributions

The IRS released recent guidance ([IR-2014-110](#)) reminding donors and tax-exempt organizations of the documentation requirements regarding charitable contributions. With many donors making year-end gifts to charities, it is important to keep in mind the relevant tax law provisions. Donors must have a bank record or written statement from the charity in order to deduct any donation of money, regardless of the amount. In addition, for donations of money or property of \$250 or more, the donor must receive a more detailed written acknowledgement from the charity. The written acknowledgement must include the name of the charity, amount of cash contribution or a description of non-cash contribution, and a statement of good or services, if any, that were provided by the charity in return for the contribution. There is no specific form required to be used, so charities can provide the written acknowledgement as a letter, postcard, or in other written format. Donors must receive the written acknowledgement prior to filing their individual income tax return for the year of the contribution. Many charities aim to send letters by January 31 of the year following the donation. Charities may be required to complete additional forms for donations of vehicles, boats, or airplanes, or for donations of property over \$500. For additional information, refer to [IRS Publication 1771](#).

### Organization not required to file new exemption application for change in state domicile

In [PLR 201446025](#), the IRS ruled that a public charity will not have to file a new exemption application when it changes its state of domicile, and it may continue to rely on its original determination letter. The PLR addresses a tax-exempt organization organized as a nonprofit corporation. The organization changed its state of domicile by filing a Certificate of Conversion in its original state of domicile and filed Articles of Domestication in the new state of domicile. Under the laws of the new state, the Articles of Domestication did not affect the organization's original date of incorporation. Further, the new state's law recognized the organization as the same corporation that existed under the laws of the state in which it was previously domiciled.



#### Find it Fast

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[Year-end guidance on charitable contributions](#)

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The organization submitted a ruling request to the IRS to confirm that the change in the state of domicile would not create a new legal entity which would require the filing of a new exemption application. The organization also requested confirmation that, after the change of domicile, the organization could continue to rely on the determination of tax-exempt status as originally issued.

The general rule under Internal Revenue Code (IRC) Section 508(a) provides that all new organizations must apply for recognition of exemption under IRC Section 501(c)(3). Historically, if a nonprofit corporation was reincorporated in a new state, it was treated as if a new legal entity had been created and the new legal entity was required to apply for a new exemption. The old organization's exemption did not provide protection to the newly incorporated entity.

In this particular PLR, the organization did not reincorporate in a new state; rather, the entity filed Articles of Domestication which maintained the organizational form but changed the jurisdiction that governs the entity. The new state will continue to recognize the organization's original incorporation date under the first state's law. Therefore, the IRS found the redomestication to be distinguishable from a reincorporation. As such, the organization was not required to apply for a new exemption determination and may continue to rely on its original determination.

#### Realignment of IRS TE/GE division

A realignment of certain technical responsibilities will soon take place between the IRS TE/GE division and the Office of Chief Counsel. The realignment will occur at the beginning of 2015 as the technical responsibility for preparing revenue rulings, revenue procedures, and certain other forms of published guidance, and issuing technical advice and certain letter rulings, will shift from TE/GE to the Office of Associate Chief Counsel. The Exempt Organizations group within TE/GE will remain responsible for issuing determination letters, including miscellaneous determinations requested using Form 8940. A number of new revenue procedures will be issued to provide guidance to taxpayers regarding the new procedures for letter rulings and technical advice memorandums requested from Chief Counsel beginning in 2015. Additional information regarding the realignment can be found in IRS Announcement 2014-34.

#### Did you know?

##### IRS publishes inflation-adjusted items for 2015

The IRS published [Revenue Procedure 2014-61](#) which outlines inflation-adjusted items for 2015. Certain items may affect tax-exempt organizations. For purposes of determining the insubstantial benefit limitations for contributions associated with charitable fund-raising,

"low cost articles" are articles costing \$10.50 or less. The reporting exception for certain exempt organizations with nondeductible lobbying expenditures applies if the annual per person, family, or entity dues limitation is \$111 or less.

#### IRS announces tax guidance related to Ebola breakout in Guinea, Liberia, and Sierra Leone

The IRS issued two items of tax guidance in response to the need for charitable relief due to the recent Ebola outbreak in Guinea, Liberia, and Sierra Leone. The first guidance provides special relief intended to support leave-based donation programs to aid victims who have suffered from the Ebola outbreak in those countries. Under the leave-based donation guidance, employees may donate their vacation, sick, or personal leave in exchange for employer cash payments made to qualified tax-exempt organizations providing relief for the victims of the Ebola outbreak in Guinea, Liberia, and Sierra Leone. The second guidance allows recipients of qualified relief payments related to the Ebola outbreak in Guinea, Liberia, and Sierra Leone to exclude those payments from income on their tax return. For example, if an employee living in Guinea receives reimbursement from an employer-sponsored charitable organization for medical expenses incurred by the employee as a result of the Ebola outbreak, such reimbursement will not be included in the employee's gross income for US federal income tax purposes. For additional information, refer to the IRS [website](#).

#### IRS issues updated FAQs on withholding of the additional Medicare tax

The IRS issued [two updated FAQs](#) (#56 and #57) related to the additional Medicare tax. The additional Medicare tax is a 0.9% tax imposed on individual taxpayers receiving wages with respect to employment in excess of \$200,000 (\$250,000 for married couples filing jointly). Employers must withhold the additional Medicare tax once an employee's wages exceed \$200,000. The updated FAQs provide guidance to employers who underwithhold or overwithhold additional Medicare tax and discover the error in a subsequent tax year.

#### Fact sheets on Affordable Care Act for employers and individuals

The IRS released two fact sheets on tax provisions under the Affordable Care Act (ACA) affecting employers and individual taxpayers. The [fact sheet for employers](#) addresses how to determine an employer's workforce size (i.e., number of full-time employees). The fact sheet also provides information on ACA tax considerations for employers with 50 or more employees and employers with few than 50 employees. The [fact sheet for individuals](#) addresses the premium tax credit and individual-shared responsibility payments.

## Deloitte Thoughtware

### Health Reform

The health reform bills (HR3590 and HR4872) are now law and will trigger sweeping changes and 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 [Center for Health 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 apprises readers of the latest regulatory, legislative, and other public policy developments affecting life sciences and health care organizations. Visit [Regulatory page](#) 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.



### Health Sciences

***A Look Around the Corner: What's Ahead for Life Sciences and Health Care in 2015?*** December 16, 1:00 PM ET

Rapid change dominates the health care landscape, but for organizations willing to take on challenges and leverage disruptive trends, the outlook for 2015 is positive. What factors are likely to shape the life sciences and health care industry in the coming year? We'll discuss

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***No More Business As Usual—Putting Innovation On Your Agenda In 2015*** January 22, 1:00 PM ET

Health care organizations that take a path toward real innovation have the opportunity to gain revenue and market share. What should organizations consider as they assess whether their approach measures up to that of more successful innovators? We'll discuss



### Governance, Risk & Compliance

***Boardroom Agenda 2015: Emerging Hot Topics and Board Practices*** December 16, 2:00 PM ET

Cybersecurity, board composition, shareholder activism, and proxy advisory firms are just some of the topics many boards have discussed in 2014. How significant will these topics continue to be and what new priorities might emerge in 2015? We'll discuss

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***Cyber Security and the COSO Framework: A Broad-based Approach to Protecting Data and Reputation*** January 14, 12:00 PM ET

Cybersecurity, board composition, shareholder activism, and proxy advisory firms are just some of the topics many boards have discussed in 2014. How significant will these topics continue to be and what new priorities might emerge in 2015? We'll discuss

***Crisis Leadership: Strategies for Effective Decision Making Amid Chaos*** January 29, 12:00 PM ET

Research suggests that companies can expect a value-destroying crisis event to occur at least once every five years. The timeliness and effectiveness of an organization's response in crisis often determines how it fares afterward. How well prepared is your executive team for its next crisis? We'll discuss



### Technology, Media & Telecommunications

***Trends in Mobile: The Expanding Ecosystem*** December 17, 1:00 PM ET

The mobile ecosystem continues to expand across services, devices, and vertical markets. What mobile trends, habits, and preferences are driving U.S. and global consumer behavior, and how can telecommunications, technology, and media companies leverage new growth opportunities? We'll discuss

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### Private Companies

***Tax Transformation for Mid-Market and Private Companies: Is Now the Time?*** December 17, 2:00 PM ET

Mid-market and private companies that expand across state and international borders face new tax risks and compliance demands. How can tax transformation help, and what could it look like for your company? We'll discuss

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### Financial Reporting

***Quarterly Accounting Roundup: An Update on Important Developments*** December 18, 2:00 – 3:30 PM ET

Do you know what issues the standard-setters and regulators have been addressing lately? We've been monitoring their projects and will discuss

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## Tax Operations

### ***Managing Intercompany Transactions: The Giant Risk No One May Own*** December 18, 2:00 PM ET

Businesses often struggle to manage intercompany transactions, potentially creating significant risks that can lead to financial statement and tax exposure. How are leading companies bringing order to the chaos? We'll discuss

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## Federal Tax

### ***Quarterly Federal Tax Roundup: A Subchapter C Update*** January 21, 2:00 PM ET

The Subchapter C area of tax focuses on the taxation of corporate transactions, including acquisitions, incorporations, domestic and international reorganizations, liquidations, distributions, redemptions, and dispositions. What are some of the recent technical developments, opportunities, and marketplace trends in the Subchapter C area that can impact your company? We'll discuss



## Technology Executives

### ***The IT Organization of the Future: What Will It Take To Get There?*** January 15, 2:00 PM ET

With technology often central to business strategy, the role of the CIO has evolved from technology wrangler to potential strategist. What new challenges might these developments have on IT organizations, delivery models, and approaches to IT talent cultivation and recruiting? We'll discuss



## HR Executives

### ***Labor Cost Optimization: Stop Payroll Overspending and Increase Your Performance*** January 14, 2:00 PM ET

Many businesses use time, payroll, and scheduling systems simply as transactional back-office tools. Could you be missing big opportunities for financial and operational improvements? We'll discuss

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