



## **CHANGE IN HOSPITAL FORM 990 REPORTING REQUIREMENTS FOR 2010 TAX YEAR**

On June 9, 2011, the IRS issued Announcement 2011-37 which advises that tax-exempt organizations operating one or more hospital facilities will not be required to complete Part V, Section B, of Schedule H of the 2010 Form 990 ("Part V.B"). Rather, Part V.B is optional for the 2010 tax year.

**Background.** Part V.B relates to new requirements enacted as part of the March 23, 2010 Patient Protection and Affordable Care Act ("PPACA"). Specifically, PPACA implemented requirements that all hospitals requesting to receive or desiring to maintain their federal tax-exempt status must: (1) develop a written financial assistance policy; (2) develop a written emergency medical care policy; (3) refrain from certain billing and collection practices; (4) place certain limitations on charges to patients eligible for financial assistance; and (5) conduct a community health needs assessment and address the identified needs. In conjunction with the new PPACA requirements, the IRS added Part V.B to Form 990 Schedule H, and, beginning with the 2010 tax year, tax-exempt hospitals generally were to report compliance with the PPACA requirements by completing Part V.B.

**Change in Reporting Requirements.** However, in its recent announcement, the IRS advised tax-exempt hospitals that completion of the entire Part V.B is now optional for the 2010 tax year. The IRS stated it will not require Part V.B for the 2010 return to give the hospital community more time to familiarize itself with the types of information the IRS will be collecting related to compliance with the tax exemption requirements under PPACA and to address any ambiguities arising from the extensive revisions of the form and instructions. This announcement applies only to IRS Form 990 reporting and does not delay the effective date of the requirements under PPACA.

**No Penalties Assessed for Failure to Complete Section V.B.** Generally, a tax-exempt organization that fails to include required information on a tax return may incur significant financial penalties. However, in Announcement 2011-37, the IRS confirmed that no hospital will be penalized for failing to complete any line in Part V.B on its 2010 return. The IRS further advised that any organization which receives a penalty notice from the IRS for failing to complete any line of Part V.B for the 2010 tax year should call the telephone number on the penalty notice to request that the IRS abate the penalty. Penalties will continue to be assessed for failing to complete the rest of Schedule H, including Part V.A and Part V.C.

**Guidelines for Completing Optional Part V.B.** If your organization chooses to complete Part V.B for the 2010 tax year, you must complete a separate Part V.B for each facility listed in Part V.A. You should *not* complete Part V.B for any organizations listed under Part V.C.

**Delayed Filing Deadlines Still Apply.** Earlier this year, the IRS announced delayed 2010 filing deadlines for tax-exempt hospitals to allow additional time for the IRS to complete implementation of changes to IRS forms and systems that reflect the tax exemption requirements under PPACA. On February 23, 2011, the IRS announced that tax-exempt hospitals may not file Form 990 for the 2010 tax year before July 1, 2011. Further, the IRS granted an automatic three-month extension of the time to file Form 990 to hospital organizations with original 2010 tax year filing due dates before August 15, 2011. No application for the extension needs to be filed. Despite the new optional status of Part V.B, these delayed filing deadlines remain in effect. See IRS announcement 2011-20 for more information regarding the delayed filing deadlines.

If you have any questions regarding hospital tax-exempt status or Form 990 reporting requirements, contact your Thompson Coburn attorney or one of the attorneys listed below:

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