



January 2015

IRS Publishes Final Regulations Regarding Section 501(r) Requirements for Charitable Hospitals

On December 31, 2014, the Internal Revenue Service (IRS) and the Department of the Treasury (Treasury Department) published [final regulations](#) (Final Regulations) that provide guidance to hospitals regarding compliance with Section 501(r) of the Internal Revenue Code (Code). Section 501(r), enacted by the Patient Protection and Affordable Care Act of 2010, established additional requirements that a hospital must meet to be treated as a tax-exempt organization under Section 501(c)(3) of the Code (501(r) Requirements).

The IRS and Treasury Department previously issued proposed regulations in [2012](#) and [2013](#) (collectively, the Proposed Regulations) regarding compliance with the 501(r) Requirements. The Final Regulations amend and adopt the Proposed Regulations and finalize certain other regulations pertaining to financial reporting requirements and an excise tax penalty for failure to comply with the 501(r) Requirements. The Final Regulations apply to a hospital's taxable years beginning after December 29, 2015. Until that time, hospitals may rely on either the Proposed Regulations or the Final Regulations to comply with the 501(r) Requirements.

501(r) REQUIREMENTS

A hospital organization, including a governmental hospital organization, that seeks to be recognized as a tax-exempt organization under Section 501(c)(3) must separately meet each of the 501(r) Requirements with respect to each hospital facility it operates. A hospital organization is not required to comply with the 501(r) Requirements with respect to any activities that constitute an unrelated trade or business conducted by the hospital organization.

For details on each of the 501(r) Requirements, [click here](#).

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