
EOTS NewsFlash

Exempt Organizations Tax Services

December 19, 2011

IRS announces Form 990 Schedule H required facility-by- facility reporting for 2011 tax years; releases draft and requests immediate comments for 2012 years

The IRS announced in Notice 2012-4 that certain Form 990 Schedule H Part V facility-by-facility reporting will be required beginning with 2011 tax years. At the same time, the IRS also released drafts of the 2011 Schedule H, *Hospitals*, and the 2011 Instructions for Schedule H (Form 990). PwC's preliminary review of these documents has identified several changes that should, if included in the final schedule and instructions, address some of the burden and other concerns expressed in public comments. Overall, the draft schedule and instructions are substantially similar to the schedule and instructions released earlier this year but made optional for 2010 tax years.

Among the most significant changes included in the draft 2011 Schedule H and its instructions are:

- **Part III, Section A:** The draft schedule and instructions eliminate the requirement that the reporting of bad debt expenses be at cost. In addition, the draft instructions eliminate the optional worksheet that previously was used to estimate the filing organization's bad debt expense at cost.
- **Part V, Section A:** The draft schedule and instructions eliminate the "measured by total revenue per facility" ordering requirement and now permit the use of a "reasonable method (for example, the number of patients served or total revenue per facility)."
- **Part V, Section B:**

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- o Although the Community Health Needs Assessment ("CHNA") questions in lines 1 through 7 remain optional for 2011 filers, the balance of Part V, Section B will be required for all 2011 filers.
 - o Lines 9 and 10 now require filing organizations providing "No" responses to explain in Part VI what criteria the hospital facility used to determine eligibility for free or discounted care or affirmatively state that the hospital facility did not provide such care.
 - o Lines 15 and 16 include new "reasonable efforts" language that more closely tracks the statutory requirements of Section 501(r)(6), and the draft instructions include a new note which clarifies that no inference should be made regarding whether the actions listed in lines 15a through 15d, 16a through 16d or described in Part VI as "other similar actions," are "extraordinary collections actions."
 - o Line 19 now requests information regarding the "maximum amounts" that can be charged to "Financial Assistance Policy-eligible (FAP-eligible)" individuals.
 - o Line 21 has been narrowed to request information regarding whether the hospital facility charged any of its "FAP-eligible" patients an amount equal to the gross charge for any service provided to that patient.
- **Part V, Section C:** The draft schedule and instructions eliminate the "measured by total revenue per facility" ordering requirement and now permit the use of a "reasonable method (for example, the number of patients served or total revenue per facility)."
 - **"What's New":** The draft instructions do not include a comprehensive "What's New" section. Instead, the draft "What's New" section points to www.irs.gov/Form990 which presumably will provide an explanation of the changes to the schedule and instructions when they are finalized.

PwC will continue to review other changes to the draft schedule and instructions, including the elimination of the word "unreimbursed" from Part I, lines 7b and 7c; a change to Part V, line 18b; and the elimination of the requirement that filing organizations "(check all that apply)" in Part V, line 19.

Although the schedule and instructions were released in draft form, it appears unlikely that the IRS will make further significant revisions to either before they are released in final form for 2011. According to Notice 2012-4, the IRS anticipates making further revisions to Part V.B for future years and welcomes further public input. To be considered for the tax year 2012 form revisions, input must be received by January 15, 2012. Input can be submitted to Form990Revision@irs.gov or the following address:

Internal Revenue Service
Attn: Stephen Clarke (Notice 2012-4)
SE: T: EO
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

Click here to access the draft 2011 Schedule H
<http://www.irs.gov/pub/irs-dft/f990sh--dft.pdf>

Click here to access the draft 2011 Instructions
<http://www.irs.gov/pub/irs-dft/i990sh--dft.pdf>

Click here to access Notice 2012-4
<http://www.irs.gov/pub/irs-drop/n-12-04.pdf>

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