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Tax Insights
from Exempt Organization
Tax Services

Ways and Means Committee advances tax-exempt hospital transparency bill

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In brief

What happened?

The House Ways and Means Committee on July 1 ordered H.R. 9504, the Tax Exempt Hospital Transparency Act, favorably reported to the House of Representatives. If enacted, the bill would impose additional Form 990 reporting requirements on tax-exempt hospital organizations under a new Section 6033A. The proposed framework would establish baseline reporting requirements for all tax-exempt hospital organizations. Large tax-exempt hospital organizations would be subject to additional facility-level reporting on the three highest priority health needs identified in the organization's most recent community health needs assessment, and on the amount of spending by the organization on quality improvement, nonclinical programing, and other community benefits. High revenue tax-exempt hospital organizations would be subject to facility-level reporting of specified advertising information, specified health service line information, and in the case of an organization that is a covered entity described in Section 340B of the Public Health Service Act, specified Federal 340B drug discount program information.

Why is it relevant?

The bill represents a significant escalation in congressional focus on whether nonprofit hospitals' tax-exempt status is justified by transparent, measurable reporting on community benefit and charity care reporting. The proposed bill follows recent congressional scrutiny, including the April Ways and Means hearing on healthcare costs and the March Congressional Research Service (CRS) report examining nonprofit hospital tax benefits and charity care. *Refer to PwC Insights regarding earlier developments here, here, and here.*

Although the bill would neither impose a minimum charity care requirement nor directly change the Section 501(c)(3) exemption standards, it could materially expand the volume, level of granularity, and facility-level nature of information reported publicly on Form 990, particularly for larger hospitals. The Joint Committee on Taxation has estimated that the proposal would have a negligible revenue effect, underscoring that it is primarily a transparency and reporting measure.

Actions to consider

Tax-exempt healthcare organizations may wish to begin assessing whether their current systems can support the proposed reporting obligations, as applicable, particularly with respect to:

- facility-level data and reporting controls;
- financial assistance value-at-cost calculations and application tracking;
- community health needs assessment spending and impact narratives;
- spending on quality improvement, nonclinical programming, and community benefit activities;
- health service line gross receipts, costs, and allocation methodologies; and
- allowable and unallowable advertising costs reported to CMS and 340B-related information.

Organizations also may want to evaluate whether their current Form 990, Schedule H, audited financial statements, community benefit reporting, and Section 501(r) documentation are consistent, defensible, and aligned with the organization's broader narrative regarding community impact.

In detail

Core reporting for tax-exempt hospital organizations

The bill would require each tax-exempt hospital organization subject to Section 501(r) and required to file a Form 990 to report additional information, including:

- how the organization is addressing needs identified in its most recent community health needs assessment and reasons why any identified needs are not being addressed;
- audited financial statements;
- the organization's CMS certification number or other identifying information required by Treasury;
- the value, at cost, of financial assistance provided under the organization's financial assistance policy; and
- the number of completed financial assistance applications received, granted, and denied during the tax year.

For large and high revenue tax-exempt hospital organizations, defined below, this information would be required to be reported separately with respect to each facility.

Observation: A significant portion of the operational burden may stem less from the addition of these reporting categories and more from the need to produce reliable, auditable data that can be consistently

reconciled across tax, finance, patient financial services, reimbursement, and community benefit functions.

Facility-level reporting for larger organizations

A “large tax-exempt hospital organization” generally would mean a tax-exempt hospital organization that is not a critical access hospital or rural emergency hospital and has more than 100 staffed inpatient beds, based on cost report data for the tax year or any portion of the three preceding tax years.

Large hospital organizations also would be required to report the three highest priority health needs identified in the most recent community health needs assessment, spending on programs designed to address each need, actions taken, and the impact of those actions on community health. They also would need to report spending on quality improvement, nonclinical programming, and other community benefits prescribed by Treasury. Unless Treasury provides otherwise, large tax-exempt hospital organizations would be required to report this information on a facility-by-facility basis.

Additional reporting for high revenue organizations

A “high revenue tax-exempt hospital organization” generally would mean a tax-exempt hospital organization that is not a critical access hospital or rural emergency hospital and has more than $100 million in net patient revenue, with inflation adjustments for tax years beginning after 2028.

High revenue tax-exempt hospital organizations would be subject to additional reporting requirements relating to allowable and unallowable advertising costs reported to CMS, health service line descriptions, gross receipts and costs, and, for 340B covered entities, specified 340B information. This would include the number of individuals served by insurance coverage type, aggregate net 340B payment amounts, and costs incurred to participate in and comply with the 340B program. Unless Treasury provides otherwise, high revenue tax-exempt hospital organizations would be required to report this information on a facility-by-facility basis.

Observation: The health service line reporting requirement could be particularly significant because it would require hospitals to map internal cost accounting and operational reporting structures to a standardized taxonomy to be published by the Department of Health & Human Services (HHS), in consultation with Treasury. This could create new pressure to align finance, reimbursement, service line management, and tax reporting data.

Effective dates and implementation timing

The proposal generally would apply to tax years beginning one year after publication of the first standardized health service line taxonomy. HHS, in consultation with Treasury, would be required to publish and maintain that taxonomy within two years after enactment and update it at least every five years.

For tax-exempt hospital organizations that are neither large nor high revenue organizations, the financial assistance value and application reporting requirements would apply to tax years beginning three years after enactment.

Government Accountability Office (GAO) report

The bill also would require GAO to initiate a study during the one-year period beginning three years after enactment and report to the House Ways and Means Committee and Senate Finance Committee. The study would estimate Treasury's administrative costs, hospital compliance costs, and, among the 25 tax-exempt hospital organizations with the highest gross revenue, the estimated Chapter 1 tax that would be imposed if those organizations were not tax-exempt.

Observation: Although the bill is framed as a transparency bill, the GAO report could generate data that informs future debates over nonprofit hospital exemption, minimum community benefit thresholds, or alternative tax policy proposals. While the process of how this information would be gathered was not described in the bill, tax-exempt hospital organizations could expect information requests related to this study.

The takeaway

The bill would not directly change the standards for tax exemption under Section 501(c)(3) or Section 501(r). The bill also expressly provides that no inference is intended regarding the application of Section 340B, Section 501(c)(3), Section 501(r), the operational test, or the private benefit doctrine.

Even so, the bill would materially expand public reporting obligations for tax-exempt hospitals and could accelerate the shift from narrative-based community benefit reporting toward more granular, facility-level, data-supported disclosures. Tax-exempt healthcare organizations should consider whether their current reporting infrastructure, cost allocation methodologies, financial assistance tracking, and community benefit narratives are ready for increased congressional, IRS, and public scrutiny.

The House Ways and Means Committee's webpage describing the markup of the bill is available here. That page includes a replay of the full hearing, the text of the bill, and the Joint Committee on Taxation's description of the bill.

Let's talk

For a deeper discussion of how these developments may affect your organization, please reach out to your PwC engagement team or a member of our Exempt Organization Tax Services practice:

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