

IRS News Release

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IRS Releases Interim Report on Tax-Exempt Hospitals and Community Benefit Project

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WASHINGTON — The Internal Revenue Service released an interim report summarizing responses from almost 500 tax-exempt hospitals to a May 2006 questionnaire about how they provide and report benefits to the community. Providing community benefit is required for hospitals seeking and retaining tax-exempt status as charities.

Today's report on the hospital compliance project contains preliminary information on the way nonprofit hospitals, which comprise one of the largest components of the tax-exempt sector, responded to questions about how they provide community benefit. The IRS is still in the process of analyzing the reported data.

"This is an important first step in our ongoing review of community benefit and tax-exempt hospitals," said Lois G. Lerner, director of the IRS's Exempt Organizations division. "As the report states, this project gives the IRS a unique and valuable insight into the manner in which hospitals report on and attempt to meet the community benefit standard."

According to the report, nearly all hospitals reported that they provided various types of community benefit that were the subject of the questionnaire. Although 97 percent of responding hospitals said they have a written uncompensated care policy, no uniform definition of what constitutes "uncompensated care" emerged from the responses. Further, there appear to be significant differences in the way other components of community benefit are reported.

"The lack of consistency or uniformity in classifying and reporting uncompensated care and various types of community benefit often makes it difficult to assess whether a hospital is in compliance with current law," Lerner said. "That's one reason more analysis is needed."

While the interim report summarizes but does not analyze the information reported by the hospitals, the IRS's hospital project team did recommend developing a separate Form 990 schedule for hospitals, as a way to address the lack of uniformity in definitions and reporting. A new Schedule H, Hospitals, is part of the recently released discussion draft of that form. For more information about Form 990, the annual return filed by tax-exempt organizations, visit the IRS Web site, IRS.gov.

In addition, the hospitals were questioned on how they set and report executive compensation. Additional information will be made available as the IRS completes its analysis of that component of the project.