

PUBLICATION

IRS Issues Final Regulations for Charitable Hospitals

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On December 29, 2014, the Internal Revenue Service and the Department of Treasury issued final regulations on requirements described in Section 501(r) for charitable hospitals exempt from federal income tax under Section 501(c)(3). The final regulations provide guidance on the entities that must satisfy the requirements of Section 501(r), the consequences for failing to satisfy those requirements and the reporting obligations under Section 6033. The full text of the final regulations is available [here](#).

Although the final regulations largely reflect the proposed regulations, the following changes stand out:

- **Single License Controls**: Multiple buildings and facility locations that operate under a single state license are considered one hospital organization for purposes of the Community Health Needs Assessment (CHNA).
- **Translation of FAP**: A Financial Assistance Policy (FAP) must be translated into another language if it is estimated that the other language(s) is spoken by at least five percent or 1,000 people in the community (whichever is smaller).
- **Updating the CHNA**: Hospitals may update an existing CHNA as opposed to starting over on a CHNA every three years.
- **Expansion of Health Needs for CHNA**: A charitable hospital may now also consider for its CHNA: (i) preventing illness; (ii) ensuring adequate nutrition; and (iii) addressing social, behavioral and environmental factors that influence health.
- **Citing Sources**: Instead of providing a detailed description of how data was collected for a CHNA, a hospital may simply cite the data sources.
- **Extension**: Hospitals will have until the 15th day of the fifth month following the end of the year to implement their CHNA strategy. Previously, the implementation strategy had to be in place by the end of the tax year.

The final regulations apply for tax years beginning after December 29, 2015. Taxpayers may continue to rely on the previously-issued temporary regulations (based on a reasonable and good faith interpretation) for tax years beginning on or before December 29, 2015. The proposed regulations issued in June 2012 and April 2013 are discussed more fully in our "[IRS Issues Proposed Regulations Addressing 501\(c\)\(3\) Hospital Requirements](#)" and "[IRS Issues Proposed Regulations Addressing Community Health Needs Assessment](#)" Alerts.

Should you wish to discuss the recently issued final regulations related to charitable hospitals, please contact any one of the attorneys in the Firm's Health Law Group.