

IRS EXTENDS 2010 FILING DEADLINE FOR CERTAIN TAX-EXEMPT HOSPITALS

On February 23, 2011, the Internal Revenue Service ("IRS") released Announcement 2011-20 ("Announcement") indicating the IRS will grant certain tax-exempt hospitals an automatic extension to file their 2010 Form 990 and supplemental schedules, including Schedule H. More specifically, the IRS will grant an automatic three-month filing extension to tax-exempt organizations that operate one or more hospital facilities and would otherwise be required to file Form 990 and Schedule H before August 15, 2011. The Announcement also states that affected tax-exempt hospitals should not file their 2010 Form 990 before July 1, 2011.

The Announcement explains that the extension is a result of IRS efforts to completely implement the changes made in Section 9007 of the Patient Protection and Affordable Care Act of 2010 ("PPACA") that affect certain tax-exempt hospitals. These changes, which are found in Section 501(r) of the Internal Revenue Code, include new rules that require affected tax-exempt hospitals to: (1) conduct a community needs assessment within three years of the effective date of the PPACA and once every three years thereafter; (2) adopt and implement a written financial assistance policy; (3) limit charges to patients eligible for financial assistance; and (4) make reasonable efforts to determine financial assistance eligibility before taking any extraordinary collections efforts. Section 9007 also imposes a number of new reporting requirements on affected tax-exempt hospitals.

The Announcement indicates that affected tax-exempt hospitals need not file Form 8868 to receive the extension, but the IRS advises that recently formed tax-exempt hospitals that did not file the Form 990 Schedule H for tax year 2009, and believe they should receive the automatic three-month extension, should file Form 8868 to avoid the risk of incorrectly receiving a penalty notice. Notwithstanding the Announcement, if an affected tax-exempt hospital requires an additional three-month extension beyond the delayed filing date to file its 2010 Form 990, the hospital must file Form 8868 requesting such an extension. The IRS also made it clear in the Announcement that late-filing penalties will not apply to any affected tax-exempt hospital's 2010 Form 990 that has Schedule H attached and is filed on or before the extended due date.

In addition to the Announcement, on February 24, 2011, the IRS issued a revised Schedule H to Form 990 and corresponding Instructions to direct tax-exempt hospitals in their efforts to comply with the new requirements in Section 501(r). Hall Render will issue a separate article in the near future regarding the revisions to the Instructions.

The full text and other information regarding the Announcement may be viewed at <http://www.irs.gov/charities/charitable/article/0,,id=236274,00.html>.

Should you have questions regarding the Announcement or Section 501(r), please contact

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