

Tax and Record Keeping for SB 258

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Disclaimer

All formal information used in this presentation is taken from the written document of SB 258. This written document provides a framework that will be administered by the Department of Community Health. In the coming months, the Department will be developing the specific steps and requirements of this legislation. These specific steps and requirements could be significantly different from this presentation if the preliminary interpretations are different from the final implementation by the Department.

Tax Deduction vs. Tax Credit

- **Tax Deduction:**
 - Cash donation that reduced taxes owed based on tax rate percentage.
- **Tax Credit:**
 - Cash donation that reduces taxes owed based on dollar amount of donation.

(Restrictions apply)

Tax Deduction vs. Tax Credit (Individual – State)

	<u>Tax</u>
Total Tax after Donation	\$20,150
Total Tax after Donation / Credit	\$17,950
Tax savings with Georgia Credit	\$ 2,300
Percentage savings from \$70,000 income	11.36%

(\$37,751 to \$90,750 Taxable Income)

Example based on \$5,000 donation

Tax Deduction vs. Tax Credit (Individual – State)

Tax Deduction	<u>Income</u>	<u>Rate</u>	<u>Tax</u>
Federal	\$70,000	25%	\$17,500
Donation	5,000	25%	(<u>1,250</u>)
Net Federal			<u>\$16,250</u>
Georgia	\$70,000	6%	\$ 4,200
Donation	5,000	6%	(<u>300</u>)
Net Georgia			<u>\$ 3,900</u>
Total Tax			\$21,700
Contribution Savings			(<u>1,550</u>)
Tax after Donation			<u>\$20,150</u>

Tax Deduction vs. Tax Credit (Individual – State)

Tax Credit	<u>Income</u>	<u>Rate</u>	<u>Tax</u>
Federal	\$70,000	25%	\$17,500
Donation	5,000	25%	(<u>1,250</u>)
Net Federal			\$ <u>16,250</u>
Georgia	\$70,000	6%	\$ 4,200
Credit	5,000	70%	(3,500)
Limit Imposed – Per SB 258			(<u>2,500</u>)
Net Georgia			\$ <u>1,700</u>
Total Tax			\$21,700
Savings with Georgia Credit			\$ <u>3,750</u>
Tax after Credit			\$ <u>17,950</u>

Tax Credit Rules

- Credit Equals (Individual):
 - 70% of amount expended or \$2,500, whichever is less
- Credit Equals (Married filing Jointly):
 - 70% of amount expended or \$5,000, whichever is less
- Credit Equals (Corporation):
 - Not to exceed 70% of amount expended or 75% of tax liability, whichever is less

Tax Credit Rules

- Tax Credit can never create a loss for the taxpayer.
- Unused Tax Credit may be carried forward for 5 years.
- Unused Tax Credits cannot be carried back.

Tax Credit Rules

- Tax Credit limits are imposed in an aggregate level within Georgia:
 - \$50,000,000 in 2017
 - \$60,000,000 in 2018
 - \$70,000,000 in 2019

Tax Credit Rules

- Important:
 - Individual Rural Hospital Organizations may not receive more than \$4,000,000 in donations toward the credit in each calendar year.
 - \$2,000,000 – Individuals
 - \$2,000,000 – Corporations

(Restrictions apply)

Hospital Requirements

- Letter of confirmation supplied to Donor to include:
 - Taxpayer's name
 - Address
 - Tax Identification Number
 - Donation Amount
 - Donation Date
 - Amount of the Credit (subject to specifics)

Hospital Requirements

- General Ledger Suggestions:
 - Maintain separate G/L account for all donations received for “tax credit”
 - Develop internal process for reconciling G/L tax credit donations to year end confirmation letters to taxpayers
 - Maintain reconciliation for cost reporting as donations are not offset against reimbursable cost

Hospital Requirements

- 10% Indigent, Charity, or Bad Debt:
 - “Has at least 10 percent of its annual net revenue categorized as indigent care, charity care, or bad debt”
 - DCH will be defining the source of data elements used in the qualifying criteria:
 - Hospital Financial Survey?
 - IRS Form 990, if required?
 - Other Form developed by the Department?

Hospital Requirements

- Financial Viability and Stability:
 - Hospital Organization must submit a five year plan detailing financial viability and stability.
 - DCH will develop the details required in this plan.
 - Examples of information the Department could include:
 - Cash Flow Statistics
 - Long Term Debt Requirements
 - Capital Replacement or Improvement needs

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