Rural Hospital Tax Credit: Legal Considerations

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Eligible Donees

- Title 31, Chapter 8, Article 1 – new Section 9.1
- Rural hospital organizations
- By December 1 of each year, DCH will submit eligible rural hospital organizations to Department of Revenue

Restrictions on Donee Benefit

- Yearly aggregate caps: $50 million in 2017, $60 million in 2018, $70 million in 2019
- $4 million per RHO per year (and $2 million cap in first half of year for either individuals or corporations)

Eligible Donors: Individuals

- Single or head of household: lesser of 70 percent of amount expended or $2,500 per year
- Married filing jointly: lesser of 70 percent of amount expended or $5,000 per year

Eligible Donors: Corporations

- “or other entity” (subsections (c), (e)(2)(A))
- Amount not to exceed lesser of 70 percent of amount expended or 75 percent of corporation’s income tax liability

Restrictions on Donor Benefit

- Cannot exceed income tax liability
- No carryback, five-year carryforward
- No credit available if state tax deduction claimed on same amount for donation to Section 501(c)(3)
- Not transferable

Contribution

- "Qualified rural hospital organization expense" = the contribution of <u>funds</u> by an individual or corporate taxpayer to a rural hospital organization for the direct benefit of such organization …

Quid Pro Quo

- Often considered when valuing deductions

- Anti-Kickback Statute - statute that prohibits the exchange (or offer to exchange), of anything of value, in an effort to induce (or reward) the referral of federal health care program business.

Timing Issues

- Contribution of funds to a rural hospital organization for the direct benefit of such organization during the tax year for which a credit is claimed
- 30-day period after taxpayer electronically notifies DCH in which DCH may approve or deny
- Then, taxpayer has 60 days to contribute
- January 1 to June 30 $2 million cap

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