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 funds 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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