



C. Bert Bennett, Partner  
bbennett@draffin-tucker.com

## **GEORGIA RURAL HOSPITAL TAX CREDIT PROGRAM (SB 258)**

**Draffin  
& Tucker, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

## **Rural Hospital Tax Credit**

- **Due Date of October 17, 2016:**
  - Proxy for IRS Form 990
  - Five Year Plan for Utilization of Tax Credit Donations

**Draffin  
& Tucker, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

## Proxy for IRS Form 990

- **Source of Information:**

- For Hospitals that file IRS Form 990
  - Use Part X of Fiscal Year ended in 2015
- For Authorities that are not required to file IRS Form 990
  - Audited Financial Statement information
  - Use the 2014 and 2015 fiscal year end data for all services under the Tax Identification Number of the Authority.



## Proxy for IRS Form 990

- **Source of Information:**

- What should be reported if there is more than one Hospital provider under the Tax Identification Number of the Authority?
  - Use the 2014 and 2015 fiscal year end data for all services under the Provider Number of the Hospital.
- The above answer is the opinion of Draffin & Tucker. Each provider in this situation may want to confirm this approach with the Department of Community Health.



## Proxy for IRS Form 990

- **Total Assets:**

- Cash – Non Interest Bearing
- Savings and Temporary Cash Investments
- Pledges and Grants Receivable, Net
- Loans and Other Receivables (Related Parties)
- Notes and Loans Receivable, Net
- Inventories for Sale or Use
- Land, Buildings, and Equipment
- Less Accumulated Depreciation



## Proxy for IRS Form 990

- **Total Assets: (continued)**

- Investments
  - Publicly Traded Securities
  - Other Securities
  - Program Related
- Intangible Assets
- Other Assets



## Proxy for IRS Form 990

- **Total Liabilities:**
  - Accounts Payable and Accrued Expenses
  - Grants Payable
  - Deferred Revenue
  - Tax Exempt Bond Liabilities
  - Escrow or Custodial Account Liability
  - Loans and Other Payables (Related Party)



## Proxy for IRS Form 990

- **Total Liabilities: (continued)**
  - Secured Mortgages and Notes Payable
    - Not Related Parties
  - Unsecured Notes and Loans Payable
    - Not Related Parties
  - Other Liabilities



## Proxy for IRS Form 990

- **Loans and Other Receivables-Related Parties:**
  - Current or former Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Disqualified Persons



## Proxy for IRS Form 990

- **Loans and Other Receivables-Related Parties:**
  - Current or former Officers
    - IRS instructions state “treat the organization’s top management official and top financial official as officers”.
    - CEO and CFO



## Proxy for IRS Form 990

- **Loans and Other Receivables-Related Parties:**
  - Current or former Directors, Trustees
    - Member of governing body with voting rights



## Proxy for IRS Form 990

- **Loans and Other Receivables-Related Parties:**
  - Current or former Key Employees
    - Other than Officer, Director, or Trustee and all of the following:
      - \$150,000 in reportable compensation
      - Manages a discrete segment representing 10% or more or has control of 10% or more of capital expenditures, operating budget, or compensation for employees.
      - One of the 20 employees with the highest reportable compensation



## Proxy for IRS Form 990

- **Loans and Other Receivables-Related Parties:**

- Current or former Highest Compensated Employees

- Other than Officers, Directors, Trustees, or Key Employees
- One of the five highest compensated employees considering reportable compensation



## Proxy for IRS Form 990

- **Loans and Other Receivables-Related Parties:**

- Current or former Disqualified Persons

- Any individual, corporation, or entity who was in a position to exercise substantial influence over the affairs of the Organization at any time over the past five years.



## Proxy for IRS Form 990

- **Investments:**

- Publicly Traded Securities
  - Traded on the Open Market
- Other Securities
  - Securities in closely held organization or other securities not traded on the Open Market.
  - Includes Equity Method Investments and any investments of 5% or more of outstanding shares
- Program Related
  - Assets used to accomplish exempt purpose rather than produce income.



## Proxy for IRS Form 990

- **Escrow or Custodial Account Liability:**

- Funds or other assets held for other individuals or organizations.
- Corresponding assets must be reported within asset section.





## Proxy for IRS Form 990

- **Loans and Other Payables-Related Party:**
  - Current or former Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Disqualified Persons
    - Same related party definitions as receivables



## Five Year Plan

- **Dun & Bradstreet Supplier Evaluation Report**
  - Instructions are provided by the Office of Rural Health
  - <http://www.dnb.gov.com/state-local/contractor-management-portal>



## Five Year Plan

- **Impact on current and long term debt:**
  - Amount of Long-Term Debt from latest internal Financial Statements
  - Amount of Accounts Payable over 30 days old from latest internal Financial Statements
  - Impact of new money on cash management plans for the future



## Five Year Plan

- **Impact on Uncompensated Care:**
  - Indigent, Charity, and Bad Debt from the latest audited Financial Statements
    - Should be a twelve month period of time
  - How will new money impact your decisions to provide future services to patients that can't or don't pay for services provided?
    - How does this relate to your Tax Exempt mission?
  - Many donors do not want their contributions to specifically pay for uninsured patients.



## Five Year Plan

- **Other Challenges:**

- What are specific needs of your organization to be competitive in the future, without increased patient service reimbursement?

- Primary Care Physicians
- Telemedicine
- New or Additional Equipment
- Building Renovations
- New Service Line
- Information Technology to Improve Efficiency
- More Staff



## Rural Hospital Tax Credit

- **From DCH Commissioner Reese:**

- “The information submitted on the financial proxy form and in the five year plan will be used to determine a ranking of eligible hospital organizations in order of financial need as required by the legislation.”



## Rural Hospital Tax Credit

- **Ranking of Eligible Hospitals:**

- If any individual hospital reaches their annual limit of contributions and subsequently a donor applies for preapproval to contribution to this hospital, then this preapproval will be denied and DCH must provide the ranking of remaining eligible hospitals to the donor. The donor can reapply for their donation to be contributed to another hospital of the **donor's** choice.



## Rural Hospital Tax Credit

- **Frequently Asked Questions:**

- Can other than cash be used for a qualifying contribution?
  - No, only cash can be contributed.
- This answer was confirmed with the Department of Revenue by Patsy Whaley from the Office of Rural Health.



## Rural Hospital Tax Credit

- **Frequently Asked Questions:**

- What service types should be included on the IRS Form 990 Proxy?
  - The IRS states all services provided under the Tax Identification Number of the organization.
  - Considering services under the Provider Number of the Hospital would include all provider based activities.
  - The Hospital Financial Survey includes only Hospital services and excludes Swing Bed, Nursing Home, Rural Health Clinic, and Physician services.



## Rural Hospital Tax Credit

- **Frequently Asked Questions:**

- Others that we could pass along to the Department of Revenue or the Department of Community Health?



## Rural Hospital Tax Credit

- Questions?