

From: [Karen Jones](#)
To: [*TE/GE-EO-F990-Revision;](#)
CC: [Karen Jones;](#)
Subject: Comments are the draft revisions to Form 990
Date: Friday, September 14, 2007 7:45:31 PM
Attachments:

To whom it may concern:

Thank you for your solicitation of comments on the draft revisions to Form 990. In reviewing the document, we have the following concerns:

1. While we acknowledge that our community benefit is important to document, the new schedule H as defined will take additional staff time to prepare. This is estimated to be approximately 120 hours per facility. In addition, our organization has our Form 990s reviewed by an outside accounting firm to ensure compliance with IRS guidelines. It is anticipated that the cost of this review will increase due to the proposed revisions.
2. Regarding Schedule H, much of the requested information will be estimated as many patient accounts do not resolve to zero by accounting year-end. Is this the expectation of the IRS or not?
3. Regarding Schedule H, we generally believe that qualitative questions are not easily comparable to other organizations, therefore, do not understand how the IRS will use the responses to these qualitative questions for assessment of the organization's appropriate tax status.
4. While the Catholic Hospital Association has developed great community benefit reporting, we disagree with some of their conclusions. We believe that Medicare shortfalls from **cost** should be included, along with Medicaid **cost** shortfalls, because the Federal Government has legislated benefits that it cannot financially support. Therefore, if the IRS implements the revisions to Form 990, we believe that the Medicare program shortfalls should be included in Schedule H, Part 1.
5. The timing of implementation is too soon. To establish systems to more accurately report 2008 information as drafted, will take more time than recommended by the IRS. We believe the revisions should be effective for fiscal years beginning 2009.

Again, thank you for requesting comments and feedback on the proposed revisions to Form 990.

Sincerely,

Karen L. Jones
Vice President Finance
Cottage Health System
PO Box 689
Santa Barbara, CA 93102-0689
(805) 569-7224

From: [Taylor, Suzanne B. : CO Dir. Tax](#)
To: [*TE/GE-EO-F990-Revision;](#)
CC:
Subject: Form 990 revision and schedules comments
Date: Friday, September 14, 2007 7:21:11 PM
Attachments: [Comments on Core & 990.doc](#)

Please accept our comments on the Form 990 and Schedules.
Thank you,

Suzanne B. Taylor
Director of Tax
Legacy Health System
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Portland, Or 97209
503-415-5843
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*System Office
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September 13, 2007

By Electronic Filing

Internal Revenue Service
Form 990 Redesign, SE:T:EO
1111 Constitution Avenue, NW
Washington, D.C. 20224

RE: COMMENTS ON DRAFT FORM 990 AND SCHEDULES

On behalf of Legacy Health System, a multi-hospital healthcare system serving SW Washington and the Metropolitan Area of Portland, Oregon, thank you for the opportunity to comment on the new draft Form 990 and schedules.

Legacy appreciates the work that the IRS has put into the new form and schedules and its openness to comments from the hospital community. However, I have serious concerns about the draft 990 and schedules.

The primary concerns are as follows:

- The filing deadline is far too short and should be extended to tax year 2010 for Form 990 and all schedules.
- Form 990 and other schedules create many questions that require substantial revision before the goals the IRS set for itself can be achieved. There are a number of questions, schedules and computations that will confuse the viewers of the Form 990 as opposed to providing transparency.

We recognize that until the questions and instructions, it is not possible to identify all the issues that our hospitals may face in implementing the new Form 990 and schedules. However, we have tried to identify as many issues as possible that we believe the IRS needs to address to assist in your process.

THE CORE FORM AND SCHEDULES NEED SUBSTANTIAL REVISION

Below is our initial list of comments on the core form and other schedules. Legacy currently files 15 form 990's and we anticipate filing 10-14 schedules per return. This is an enormous, expensive and time-consuming undertaking for our System.

Significant revisions and refinements must be made to the core form, schedules and instructions. We think it is critical that exempt organizations be given an opportunity to review the revised set of forms, schedules and instructions. The IRS should release the second draft with instructions in 2008, and provide another review period, with a final form release by December 31, 2008.

1. Core Form

- Part I (Summary), Line 6 requires an organization to enter the number of individuals receiving compensation in excess of \$100,000. We do not see where this question provides any benefit to the IRS or the viewer of the form 990. Larger organizations will likely have a larger number of individuals receiving such compensation and small organizations will likely have a smaller number.
- Part I (Summary), Line 7 requires an organization to enter the highest compensation amount reported on Part II, Section A (relating to reportable compensation paid to officers, directors, trustees, key employees, highly compensated employees and independent contractors). Highlighting the highest compensation amount paid on the summary page of the core form could mislead viewers when read outside of the context of the fuller disclosure required in Part II and Schedule J. We currently see confusion from the public on the existing reporting of compensation with regard to deferred compensation.
- Part I, Lines 8a and 8b require an organization to calculate total officer, director, trustee and other key employee compensation and then to calculate a percentage by comparing total executive compensation to total program expenses. This comparison percentage is misleading and will not provide an accurate representation of our organization's operations and should be eliminated from the form.
- Part I, Lines 19a and 19b require an organization to calculate fundraising expenses as a percentage of total contributions and grants. This percentage does not provide helpful information about an organization's operations. Many hospitals including Legacy' hospitals, have separate foundations to support the hospitals. Fundraising revenues and expenses are not necessarily reported under one EIN. Legacy has six foundations and to be as efficient as possible the expenses are paid out the parent, Legacy Health System. We will either need to revamp our accounting for these expenses or provide information not useful to the viewer.
- Part I, Line 24b requires an organization to calculate total expenses as a percentage of net assets. This percentage is not helpful to understanding an organization's overall operations
- Part II (Compensation and Other Financial Arrangements with Officers, Directors, Trustees, Key Employees, Highly Compensated Employees, and Independent Contractors), Section A requires information on key employees, which term is defined in part based on the disqualified person concept from the Section 4958 intermediate sanction regulations to include a "person who manages a discrete segment or activity of

the organization that represents a substantial part of the activities, assets, income or expenses of the organization, as compared to the organization as a whole.” Consideration should be given to defining “substantial part” or including examples in the instructions or glossary to help us determine employees who would fall under the broadened definition. Our hospitals could have hundreds of “key employees” if this definition is not clear.

- Part II, Section A requires an organization to include reportable compensation from “related organizations” for purposes of reporting the compensation of former (within the last five years) directors, trustees, officers and key employees or highest compensated employees. This requirement is overly burdensome for our organization to be required to track all former directors, trustees, officers, key employees or highest compensated employees over a five-year period when we have not been required to do so in the past. Combining this requirement with a need to survey all related organizations to determine whether any individual in this group is being paid compensation by such related organization requires efforts beyond the value the information would provide. Information on former directors, trustees, officers, key employees or highest compensated employees should look to current year only.
- Part II, Section A requires an organization to use the compensation figures as reported on Forms W-2 or 1099. We agree with using the W-2 or 1099’s for reporting compensation, it is very difficult to use a fiscal year end and tie out all the different layers of compensation required.
- Part II, Section B, Lines 5a-f require an organization to report the family and business relationships of officers, directors, trustees or key employees during a five-year look-back period. Legacy’s board of directors has over 20 members, and hundreds of contracts. The collection and maintenance of documentation required to respond to these questions will create excessive new burdens for our organization. Also, the instructions should clarify the duties of organizations to collect such information going forward.
- Part II, Section B, Line 9 requires an organization to report whether any persons listed in Part A receive compensation from any source other than the filing organization or a related organization for services rendered to the organization. In its current form, this question requires organizations to have or acquire access to information that they may not otherwise have. This question should be clarified to address the extent to which an organization is required to seek information regarding such compensation arrangements. Also, if a listed person owns a company that is paid reasonable compensation to perform services, but the person does not receive any payment other than in his capacity as owner of the organization, what amount, if any, gets reported?
- Part III, Line 3b requires an organization to report the number of “transactions” the organization reviewed under its conflict of interest policy. The instructions or glossary should be revised to include a definition for “transactions.” Because responding with a zero or a very high number would create a misleadingly negative connotation, and because any numerical response will have a different meaning depending on the organization and its policy, the question should be revised to ask whether the organization engaged in any transactions that were subject to the policy but were not

reviewed under the policy.

- Part III, Line 10 asks whether an organization's governing body reviewed the Form 990 before it was filed. On a practical level, many healthcare organizations file their Form 990 on dates that are very close to due date. This requirement of review before filing would put additional burden on many organizations. We would suggest some flexibility in terms of the time period in which the form can be reviewed. We believe that "review" within 3 months after the Form 990 is more reasonable. The question can be rephrased and stated "Did the organization's governing body review previous year's Form 990 within 3 months after filed?" Also, the instructions should clarify who is required to review the return. Is the finance committee or audit committee sufficient? Is there a requirement for the board to certify the review of the 990?
- Part IV (Statements Regarding General Activities), Line 1d requires an organization to report the total amount of contributions received from related organizations. The instructions include as examples of related organizations, "a parent organization or affiliates at the local, state, or regional level." The example is confusing and the instructions should instead use the definition of related organizations from the glossary. Moreover, it is unclear whether all payments to related organizations (except for payments that clearly belong under membership dues, rentals, or sales) should be treated as contributions since there is no corresponding line item under "program service revenue" or "other revenue."
- Part VII (Statements Regarding General Activities), Line 6a requires an organization to report whether it had any tax-exempt bonds outstanding at any time during the year. The instructions should clarify whether this question is intended to encompass bond financing where the 501(c)(3) organization is not the issuer of the bonds but rather the borrower of proceeds of government-issued bonds.
- Part VII, Lines 8a (and the applicable instructions) requires an organization to report whether it conducted all or a substantial part of its exempt activities through or using a partnership, LLC or corporation and the aggregate exempt activities conducted through or by such entities involved a substantial portion of the organization's capital expenditures or operating budget, or a discrete segment or activities of the organization that represent a substantial portion of the organization's assets, income, or expenses as compared to the organization as a whole. Neither the instructions nor the glossary provide a definition, percentage or amount for the term "substantial." It is also unclear whether Lines 8a-8c would apply to passive investments of endowment or reserve funds in partnerships or publicly traded corporations.
- Part VII, Lines 11 and 12 require an organization to report whether it has a written policy or procedure for reviewing the organization's investments and safeguarding its exempt status with respect to transactions and arrangements with related organizations. To the extent the IRS intends to develop sample written policies, IRS should solicit input from members of the tax-exempt sector with respect to the content and form of such written policies.

- Part IX (Statement of Program Service Accomplishments), Lines 3a – 3c require an organization to describe its exempt purpose achievements for each of its three largest program services. This question should be moved to Part I of the form, as it is a key question. Organizations should be allowed as much additional space as necessary to describe more than three key activities. As drafted, 3d also directs organizations to attach a schedule listing other program services.

2. Schedule A (Supplementary Information for Organizations Exempt Under Section 501(c)(3))

- Part 1, Line 11f requires an organization to respond whether it has a “written determination from the IRS that it is a Type I, II or III supporting organization.” Since most supporting organizations do not have written determinations from the IRS, the question as written is misleading and unfair because the IRS did not actually issue such determinations until this year. The question should allow an IRS determination or “a written opinion of counsel.”
- Part 1, Line 11h, column (vii) requires an organization to report the amount of monetary support provided by the supporting organization to the supported organization(s). This question disadvantages supporting organizations such as parent holding companies within a health care system that do not pay out monetary grants or other support payments because they are functionally integrated or otherwise undertake activities in support of their supported organizations. The question should be revised to include the value of non-monetary support.

3. Schedule D (Supplemental Financial Statements)

- Parts I and III: Passive investments should be excluded from this schedule, and the listing of securities individually is extremely burdensome.
- Part VII (Other Liabilities) requires organizations to describe and list the book value of any other liabilities, including federal income tax liabilities, not reportable in the defined categories on Part VI (Balance Sheet) of the core form. Part VII also requires organizations to provide the text of the footnote to the organization’s financial statements that report the organization’s liability for uncertain tax positions under FIN 48. Disclosing the text of footnotes relating to uncertain tax positions in isolation could be misleading. Organizations should be given the opportunity to explain such footnotes or to attach their entire financial statement.
- Part XII (Endowment Funds) requires an organization that holds assets in term or permanent endowment funds to provide information for the past five years on fund balances, contributions, investment earnings or losses, program expenditures and administrative expenditures. The reporting burden associated with this question seems to outweigh the usefulness of this information. The five-year look-back period should be reduced or eliminated pending adoption by the IRS of reasonable standards.

4. Statement G (Supplemental Information Regarding Fundraising Activities)

- Schedule G requires an organization to report supplemental information regarding its fundraising activities. The IRS should clarify how organizations should report fundraising activities by related entities, which is a common occurrence within our system.

5. Schedule J (Supplemental Compensation Information)

- Schedule J requires an organization to report supplemental compensation information with respect to listed persons from Part II of the core form. There still seems to be confusion about who gets reported on Schedule J, so the instructions should further clarify the individuals for whom such information must be reported.
- Line 1, column (C) requires an organization to report non-qualified deferred compensation. The instructions should clarify, or the schedule itself should eliminate, double-reporting of nonqualified compensation. This occurs when the amounts of unpaid, unvested deferred compensation are reported when awarded and again when they are vested. Eliminating the double reporting will give a more accurate picture of yearly compensation. The double reporting of deferred compensation is a problem under the current Form 990 and the IRS should take this opportunity to correct the confusion.
- Line 1, column (D) requires an organization to report the amount of non-taxable fringe benefits provided to the listed persons in column (A). The instructions seem to even require reporting of de minimis fringe benefits, which by definition under the Internal Revenue Code are “so small as to make accounting for it unreasonable or administratively impracticable.” The instructions should follow the current Form 990, which allows de minimis fringe benefits to be excluded. The instructions or the compensation matrix also should include examples of nontaxable fringe benefits that physicians would typically be issued as part of providing services at a hospital, e.g., pagers, cell phones and other similar items, or this requirement should be eliminated.
- Line 1, Column (E) requires an organization to report the amount of all expense reimbursements, and allowances provided for expenses, that are not included on a recipient’s W-2. It is completely misleading to report such amounts on Schedule J, which is intended to disclose compensation amounts. Expense reimbursements under accountable plans that do not result in income to the recipient should not have to be reported on Schedule J.
- Lines 4 and 5 require an organization to report whether it paid compensation determined in whole or in part by the revenues or net earnings of the organization or a related organization. The instructions should clarify the types of compensation arrangements that would and would not be deemed to be determined in whole or in part by the revenues or net earnings of hospitals or health care organizations.

6. Schedule K (Supplemental Information on Tax Exempt Bonds)

- Schedule K requires an organization to report supplemental information for each outstanding bond issue with an aggregate principal amount in excess of \$100,000 on the last day of the taxable year. Due to the scope of information required for reportable tax-exempt bonds, the IRS should delay implementation of Schedule K (along with all of the Form 990) until 2010 so that organizations will have sufficient time to complete the analyses required for reporting the new information on the schedule. Also, since the schedule asks for information regarding all bonds outstanding on the last day of the taxable year, no matter how long ago the bonds were issued, organizations may not have all of the requested information because there was no notice at the time the bonds were issued that the organization would be required to report such information to the IRS. Accordingly, the IRS should provide a "grandfather" provision under which information is required to be reported only for bonds issued after the date that the redesigned Form 990 was made public. Also, in light of the IRS' recently announced post-issuance compliance check program, the IRS should consider delaying finalization of this Schedule until the IRS has analyzed the responses to the questionnaires being sent out as part of the program.
- Part I requires extensive information for each outstanding tax-exempt bond issue with a principal amount greater than \$100,000 on the last day of the tax year. This section is enormously burdensome and needs to be streamlined. First, the IRS should recognize that much of the information requested here is already available through Form 8038, Information Return for Tax-Exempt Private Activity Bond Issues, which is filed when the bonds are issued. The new schedule should be reconciled with the reporting already required to eliminate redundancy and burden. Part I, columns F and G, in particular, represent a particular burden for hospitals. For example, for bonds with large principal amounts that funded multiple projects, including buildings and equipment, requiring information on the date that a particular project was placed into service is very difficult and burdensome to provide.
- Part II requires the provision of information on bond proceeds. The instructions for this section should make it clear that when an organization is dealing with a refunding issue it is not necessary to report how the proceeds of the prior issue were spent. Alternatively, the instructions should reduce the burden associated with reporting this information by, for example, limiting how far an organization must go back when a bond is used to refund a prior issue. In addition, the current IRS regulations permit an organization that funds projects with a mixture of equity and bond proceeds to wait 18 months after facilities are placed into service to allocate the sources of those funds to particular costs. That means, at the time an organization may be required to file this schedule, there may not be a final allocation. The instructions for the form should reconcile this inconsistency in favor of delayed reporting.

- Part III requires an organization to report information about private use of tax-exempt bonds. The instructions should clarify that aggregate reporting for private business use is contemplated and the IRS should consider permitting organizations to report private business use as not exceeding a stated de minimis percentage. And, Part III could be streamlined if it allowed organizations to limit the reporting of contracts to those that do not meet the "safe harbors" described in Revenue Procedures 97-13 or 97-14. Question 4 should be re-written, as it does not take into consideration that a hospital may be meeting such "safe harbor" requirements, which would make the percentage computation unnecessary. Also, question 5a, requesting information about all other "use" by other than a 501(c)(3) organization or state or local government is overly broad, as it would presumably include use that is not treated as private use, such as incidental use or use on the same basis as the general public. Additionally, questions 4 and 5 could result in misleading answers, as they fail to anticipate that these percentages may change from year to year and that the proper measure of usage would be the entire term of the bond.
- Part IV requires an organization to report information about the compensation of third parties who provide services related to bond issuances and whether such parties were selected using a "formal selection process." The instructions should clarify what is meant by a "formal selection process" and should permit organizations to rely on selections that involved advice of bond counsel and/or a qualified underwriter with a reasonable review of qualifications. In addition, a threshold amount for reportable transactions should be added.

7. Schedule N (Liquidation, Termination, dissolution or Significant Disposition of Assets)

- Clarification is needed as to whether transfers to a wholly owned limited liability company that is disregarded as separate from the tax-exempt filing organization need to be reported.
- Clarification is needed as to whether transfers for "full and adequate consideration" that are excluded from the definition of "substantial contraction" still need to be reported as a disposition of net assets.

8. Schedule R (Related Organizations)

The following comments relate to Part V – Transactions with Related Organizations.

- For multi-hospital systems, Schedule R is extremely burdensome. At a minimum, the definition of "related" needs further review and consideration, as there are many definitions of the term that might have been used.
- Part V requires an organization to report whether it engaged in certain transactions or transfers with related organizations, including related 501(c)(3) organizations. The instructions carve out transactions between 501(c)(3) organizations where the only transactions between the organizations were gifts or grants. This instruction should be revised to allow transfers that are gifts and grants to be excluded, even where the organizations have other transactions such as leasing or services arrangements.

- The definition of “transfer” in the instructions should be revised as follows: A transfer includes any conveyance of funds or property, whether or not for consideration, except for gifts or grants between related 501(c)(3) organizations.

This requirement creates a huge burden to our organization. We have one parent corporation, five hospitals, six foundations, and 3 related health organizations. This requirement will result in pages of transactions that will not be of any value to the IRS or the public. We understand certain questions on this schedule are in response to Section 1205 of the Pension Protection Act (PPA), but the information on transactions between related 501(c)(3) organizations should be limited to transfers that could result in UBIT under the controlled entity rule of Section 512(b)(13). Other transactions between related 501(c)(3) organizations do not raise compliance, exemption, tax or other concerns and should not need to be reported.

Thank you for the opportunity to comment on the draft 990 and schedules. We appreciate the effort put forth by the IRS in asking for comments and providing forums to allow us to voice our concerns and ask questions.

Sincerely,

//SS//

Suzanne B. Taylor
Director of Tax
Legacy Health System

X:/Acctserv/Tax/Research/IRS 990 drafts/Comments on Core & 990.doc

From: [Suzanne Respass](#)
To: [*TE/GE-EO-F990-Revision;](#)
CC:
Subject: Comments
Date: Friday, September 14, 2007 6:26:54 PM
Attachments: [Final Comments to IRS - 8.07.doc](#)

Thank you.

**M. Suzanne Respass
Post Office Box 59414
Birmingham, Alabama 35259**

September 12, 2007

Submitted Electronically: _____

*Internal Revenue Service
Attention: SE:T:EO
1111 Constitution Avenue, Northwest
Washington, D.C. 20224*

**RE: *Comments on Form 990 Revision and accompanying Schedules
Comments on Schedule H***

The following comments are submitted as an individual with 30 plus years of experience, participation, representation, and knowledge of working with and for a variety of non-profit organizations. I currently serve on the boards of several small non-profits, am employed by a children's hospital as the director of government relations, serve on the state council responsible for oversight of the certificate of need process and the health care provider community, and a member of several non-profit organizations. I applaud the initial effort to quantify the value of non-profits in the community, however, in order to accurately evaluate and compare the contribution, particularly hospitals, you must require investor owned for-profit and governmental hospitals to document and report the same information utilizing the same definitions and account for bad debt, Medicaid and Medicare shortfalls in the same way.

First, to address the IRS stated goals of the redesigned form as published on the website :

- “~Enhancing transparency to provide the IRS and the public with a realistic picture of the organization, along with the basis for comparison to other organizations.*
- ~ Promoting compliance by accurately reflecting the organization's operations so the IRS may efficiently assess the risk of noncompliance.*
- ~ Minimizing the burden on filing organizations.”*

From a Non-Profit Board Member Perspective

Enhancing transparency to provide the IRS and the public with a realistic picture of the organization, along with the basis for comparison to other organizations. It is hard to compare apples and apples when you are only asking for the ingredients and composition of one apple. A realistic picture can only be achieved if all organizations regardless of ownership type must report the same information, with the same definitions and guidelines, for the same time frames.

Minimizing the burden on filing organizations. First, I highly encourage delaying implementation until all of the definitions, instructions and guidelines are issued. It is an incredible waste of time and human resources to anticipate what type and how much documentation will be required and considered within compliance for a number of the new schedules and additional information required for the revised 990. There would a significant need to reconfigure, program, and test financial and data information systems to produce new reports and ensure accuracy.

As previously stated, I am on the Board of Directors for several small non-profit organizations. There is no doubt in my mind, that it will be necessary to hire at least one part time person to spend time collecting the amount of detailed information you are requiring about individual board members, contracts, and programs. The documentation and compliance for those pieces along will require additional staff and all of the associated costs. Many small non-profits rely heavily on volunteers and little staff as it is unaffordable. I am not sure what is accomplished by requiring all of the detail.

From Regulatory Perspective

Enhancing transparency to provide the IRS and the public with a realistic picture of the organization, along with the basis for comparison to other organizations. I have been personally and professionally involved in healthcare policy for more than 25 years. Throughout that period, I have been party to discussions and sought to seek consensus on the definition of uncompensated care, charity care, bad debt, Medicare shortfall, Medicaid shortfall, Tricare shortfall, uninsured, underinsured, and how each of those is treated with respect to contractual allowances, expenses, community benefit or other reporting. It has been a challenge. First, because every insurer, particularly CMS driven programs such as Medicare and Medicaid, consider different costs allowable for reimbursement and none recognize all of the costs incurred to delivery care, therefore tends to be a shortfall outside of the reimbursement. Costs do not include inflation and margins needed to sustain facility upkeep, labor and market changes, new technology, and much more. Costs are costs. No other industry is expected to succeed by only being paid for its cost.

I make this point for several reasons. If the IRS as stated wants to compare non-profit providers (hospitals) to for profit providers or governmental providers, then the investor owned/for profit and governmental providers should be required to complete the exact same Schedule H and worksheets with the exact same definitions. That is the only way to compare apples and apples. In addition, based on experience with revising the certificate of need application specifically accurate reporting of uncompensated and charity care, the corporations which have more than one hospital would be able to bundle their hospitals into one corporate tax filing. The IRS 990 is considered a creditable standard reflecting financial responsibility. However, it does not

work when a community is trying to compare the local providers to one another. I would recommend consideration of requiring those corporations with more than one hospital, be required to submit Schedule H and worksheets not only collectively as a corporation, but for individual hospitals within the corporation (for informational only purposes). This enables transparency to the community if for example, a corporation with 5 hospitals reporting significant community benefit relies on single site to carry the corporation's community benefit burden rather than spread across the corporate system.

Medicare shortfalls must be recognized as part of Schedule H, Worksheet 3, reported in Part I, Line 3. It is important for a number of reasons. In children's hospitals, CMS has repeatedly failed to include guidance within the Medicare Part D prescription drug program for those Medicare ESRD eligibles who are not 65 years old. The ESRD drugs are not included in the formularies, nor are there pediatric specific dosages and approvals, which means hospitals are providing the drugs for the ESRD patients. A major shortfall which is not recognized in the current form.

Minimizing the burden on filing organizations. *Last, but not least, Congress recently passed new federal lobbying reporting and ethics legislation. Please review the new report and try to make the IRS Schedule C consistent with the Congressional Federal Lobbying Reports so as not to create an additional documentation and reporting burden.*

There are many more concerns which I am sure have been voiced and itemized by many others. These are a few which I felt strongly enough to deliver comments.

*Thank you for your consideration. Please feel free to contact me with [_____](#)
any questions.*

Sincerely,

Suzanne Respess

From: [Tena-Nelson, Roxanne](#)
To: [*TE/GE-EO-F990-Revision;](#)
CC:
Subject: Form 990 Redesign, ATTN: SE:T:EO
Date: Friday, September 14, 2007 6:14:40 PM
Attachments: [GNYHA990CommentsSept07.pdf](#)

The Continuing Care Leadership Coalition (CCLC) represents over 100 not-for-profit long term care providers in the New York metropolitan area. The members of CCLC provide services across the continuum of long term care to older and disabled individuals. CCLC's members are leaders in the delivery of home care, skilled nursing care, adult day health care, respite and hospice care, rehabilitation and sub-acute care, senior housing and assisted living, and continuing care services to special populations. CCLC's mission-driven members have also had a significant impact on the development of innovative solutions to long term service delivery in the U.S., with several of its members having played pioneering roles in the development of specialized programs for the chronically ill such as the managed long term care programs in New York and Social HMO and PACE programs at the national level.

On behalf of the long term care providers in the CCLC membership, I appreciate this opportunity to comment on the Internal Revenue Service's (IRS's) draft of a redesigned Form 990, *Return of Organization Exempt from Income Tax*. CCLC is an affiliate of the Greater New York Hospital Association (GNYHA) and has attached GNYHA's comments, which include comments from our long term care membership.

Of particular concern to our not-for-profit long term care community are the following:

- That the draft places a heavy reporting burden on organizations that are charitable by the nature of what our members do everyday - caring for older and disabled individuals
- That the Core Form does not allow for distinction among organizations of drastically different sizes and scopes
- That the Core Form does not acknowledge regional differences in pay

scales (see GNYHA comments, page 3-4)

- That the draft places an undue reporting burden on Board trustees, a group of individuals that volunteers a generous amount of time, which may turn future trustees away from serving not-for-profit entities
- That the IRS is not explicit that Schedule H does not apply to nursing facilities and home health care agencies

CCLC recommends that the IRS develop an appropriate timeline to implement any changes contemplated, for example, the two-year timeline noted in the attached GNYHA comments. CCLC appreciates the opportunity to provide comments on this draft. We look forward to working with the IRS on this issue and would be happy to provide additional information.

Sincerely,

Roxanne Tena-Nelson

Roxanne Tena-Nelson, JD, MPH
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Continuing Care Leadership Coalition
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The Greater New York Hospital Association comments and full submission can be found in a separate file. The e-mail was received from Deborah Brown on September 11, 2007.

From: [Mitchell, John](#)
To: [*TE/GE-EO-F990-Revision;](#)
CC:
Subject: Form 990 Comment Letter
Date: Friday, September 14, 2007 5:17:13 PM
Attachments: [THR Form 990 Comment Letter.PDF](#)

Attached is Texas Health Resources Comment Letter.

[John D. Mitchell, FACHE](#)

Vice President, Tax and Compliance
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TEXAS HEALTH RESOURCES

September 14, 2007

Mr. Ron Schultz
Internal Revenue Service
Form 990 Redesign, SE:T:EO
1111 Constitution Avenue, NW
Washington, DC 20224

By email to: Form990Revision@irs.gov

Dear Mr. Schultz:

On behalf of Texas Health Resources (“THR”) thank you for the opportunity to comment on the proposed changes to the Form 990. Through its affiliates, THR operates an integrated, primarily tax-exempt health care system with services and facilities throughout north Central Texas. THR’s wholly-owned facilities include 12 acute care hospitals with approximately 2,850 operated beds; a 10 bed long-term care hospital; and a continuing care retirement community. Annually, THR and its affiliates file twenty-eight Form 990s.

THR is committed to transparency and congratulates the IRS redesign team for its efforts. We appreciate the IRS’ effort to strike a balance between the government and public’s need for better information and the burden that increased reporting obligations places on tax-exempt organizations. In general, we believe that the redesign team has struck a reasonable balance. However, as with any effort of this magnitude, we believe there are areas that can be improved.

Our comments are split into two sections. The first section is a discussion of general areas of concern including the proposed timing for the release of the revised Form 990. The second section is a listing of specific comments based upon a detail review of the revised Form 990 (including its instructions and glossary) and the preparation of a mock Form 990 using the revised Form and 2006 data for one of THR’s tax-exempt hospitals.

General Comments

Timing

Based upon the announcements that have been made, the IRS plans to implement the revised Form 990 for the 2008 return year. THR’s accounting and community benefit reporting systems are designed to provide the information required to prepare the Form 990 as it currently exists and to file the Statement of Community Benefit Standard required under Texas law. The proposed Form 990 will require modifications to our financial and community benefit reporting systems to provide the information needed to completely and accurately file the revised return. This redesign work cannot begin until the IRS releases final instructions, definitions and worksheets. Our understanding is that this information

may not be released until mid-2008; thus, it will be very difficult to put the required systems in place to accurately account for 2008 information. If the revised Form 990 is implemented in accordance with the IRS's proposed schedule, THR as a calendar year taxpayer may not be able to generate 100% of the information that will be required to file a complete and accurate return. To avoid placing taxpayers in a position where they do not have the information needed to file complete and accurate returns, the revised Form 990 should at the earliest be made effective for returns filed for years beginning after January 1, 2009. In addition, depending upon the magnitude of the changes made to the draft Form 990, the IRS should consider allowing taxpayers another opportunity to provide additional comments.

Community Benefit and Charity Reporting

Based upon the IRS's recent hospital questionnaire and hearings conducted by Congress, it is evident that the reporting of community benefit activities varies between hospitals and that people in good faith have a variety of perspectives and opinions regarding the scope of reportable community benefit activities.

THR's community benefit reporting system is designed to provide information to complete the annual Statement of Community Benefit Standard required by Texas law. In reporting community benefit activities, THR strives to differentiate marketing/promotional activities from true community benefit activities. THR does this by evaluating whether an activity impacts the health status of individuals or a community that THR serves. Activities that do not impact health status are generally excluded.

As allowed by Texas law, THR also reports the unreimbursed cost of providing care to Medicare recipients as a community benefit but THR has not historically reported the unreimbursed cost of bad debts as a component of community benefit.

In the proposed Schedule H, the IRS redesign team has made choices that may limit a hospital's ability to report activities which it believes in good faith are community benefit activities; or, in the case of Texas hospitals, activities which are recognized under state law as community benefit activities. The reporting of bad debts and the unreimbursed cost of Medicare are examples of activities which the IRS's proposed draft would disallow as reported community benefits.

While the IRS's desire to produce comparable data is appropriate, this objective can still be achieved while preserving hospital's ability to determine the types of community benefit activities that they report. Specifically, the IRS should allow the reporting of both the unreimbursed cost of Medicare and the unreimbursed cost of bad debts as community benefit activities. This approach will allow hospitals that believe that losses on Medicare patients and/or that believe that a significant portion of their bad debt expense is composed of patients who are merely unidentified charity patients to disclose these amounts in the organization's Form 990 as community benefit activities. So long as separate lines are included on Schedule H to reflect these amounts, policy makers, the IRS and the general public will be able to include or exclude unreimbursed bad debts and/or unreimbursed

Medicare costs from their analysis based upon their individual determination of the proper definition of the term community benefit. If this information is not part of the return then it will not be readily available for purposes of analysis for those individuals and policy makers who believe a broader definition of community benefit activities is appropriate.

Community building activities should also be reportable as community benefit activities. THR hospitals participated in the Public Health Institute's Advancing the State of the Art in Community Benefit study and THR uses tools that were developed as a result of the study. THR management believes that the delivery of healthcare encompasses activities that occur outside the walls of our facilities and that the World Health Organization's definition of "Health" – "*Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity*" is an important guideline in developing programs that assist hospitals in fulfilling their tax-exempt purpose. Thus, activities which enhance a community's ability to contribute towards the community's achievement of Health as defined by the World Health Organization should be reportable as community benefit activities on the new Schedule H.

Finally, the redesign team appropriately focused on the need for consistency in the reporting of charity amounts. The instructions to Schedule H make it clear that unreimbursed cost should be used to report both charity related amounts and Medicaid and other government payer shortfalls. However, the instructions to Schedule H allow hospitals to use their own internal cost accounting systems, cost report information or a complex cost-to-charge ratio outlined on Worksheet 2 of Schedule H to calculate unreimbursed cost amounts. The combination of allowing hospitals to choose calculation methods and the lack of clear definitions for the various adjustments required on Worksheet 2 guarantee that the resulting unreimbursed cost estimates will not be comparable between hospitals. Assuming that the redesign team's key desired outcome is the reporting of comparable cost-based information, the IRS should consider the adoption of a single simplified cost-to-charge ratio. Specifically, the IRS should adopt a ratio that is calculated by dividing Part V, Line 24, column A, total expenses by a hospital's total gross patient charges. While this cost-to-charge ratio may not be "perfect", its use will contribute towards the goal of consistent charity reporting by all hospitals.

Hospital Systems

Both the current Form 990 and the redesigned Form 990 fail to address the complexity of hospital systems. This failure is the result of the structure of the questions within the return itself and of a reporting regime that results in individual members of a hospital system filing separate Form 990s. As a result, the public and government officials are left with an incomplete picture of the activities of hospital systems since the results of the hospital system and the interrelationships between system members are not accounted for in a single information return. A potential fix to this problem would be to allow hospital systems and other similar complex tax-exempt organization structures to elect to file a consolidated Form 990 at the parent organization level. Unfortunately, such a fix may be beyond the scope of IRS authority.

Alternatively, the redesign team needs to consider the effect of complex organizational structures on the wording of the Form 990 questions and related instructions and give systems the flexibility they need to provide meaningful information in the return. For example, the revised Form 990 asks whether an organization has audited financial statements and if the organization has an audit committee. For a separately incorporated hospital affiliate of THR, the answer to both of those questions is technically “no” since the “organization” is not separately audited and the “organization” does not have a board audit committee. Rather, THR’s receives an annual audit report on the combined operating results and financial position of THR and its affiliates and the THR audit committee has system-wide responsibility. The same system approach exists for other areas including: corporate compliance, conflicts of interest and the establishment of executive compensation. In either the wording of questions or the Form 990 instructions, the IRS needs to provide clear guidance to organizations with corporate parents or other complex structures regarding how these organizations are to answer questions when the scope of the question relates to activities which are performed by a parent organization or affiliated organization rather than by the reporting taxpayer. To get an accurate picture of practices, affiliate organizations must be able to take “credit” for governance and other activities that occur at the system level.

Form 990 Summary

Based upon the materials the IRS released with the revised Form 990 and comments made during the open door forums it is clear that one of the goals of the redesign team is to use the Summary section of the Form 990 to give a snapshot view of tax-exempt organizations to the public. This is a reasonable goal. In preparing the snapshot, it is important that the information chosen for this section provide an accurate picture of the tax-exempt organization. As currently designed, the brief space that is provided for an organization to describe its mission and the calculation of various percentages on lines 11-21 (which may not relate in any manner to an organization’s fulfillment of its tax-exempt purpose) do not contribute in a meaningful way to advancing the public’s understanding of the tax-exempt organization. In reviewing comment letters the IRS has received, we noted that Blazek & Vetterling LLP submitted a proposed revision to the summary page. We believe that this proposed revision provides a better snapshot of an organization and encourage the IRS to consider adopting this revised summary. The only change we would propose to the Blazek & Vetterling Summary relates to the reporting of the number of independent board members as part of the summary. See further discussion of this issue in the following section.

Specific Form Related Comments

Form 990

Question F: Name and Address of Principal Officer: Based upon the proposed instructions it appears that the primary purpose for Question F is for the organization to designate a contact person for the IRS. This question appears to replace the old Form 990 question which required organizations to name the person who had possession of the

organization's books. For many non-profit organizations, the "Principal Officer" will not be the best person to answer questions regarding the Form 990 and its supporting schedules. Organizations should be allowed to designate a person in response to this question who is knowledgeable of the Form 990 and who is in a position to fully respond to any IRS inquiry. Part II of the Form 990 will contain key contact information for an organization's "Principal Officer" so asking for that information in this question is duplicative.

Part I, Summary, Line 4, Number of Independent Board Members: For healthcare organizations it is not uncommon for boards to include physicians who have a contractual relationship with the organization. In fact, because of state law requirements, there are situations when 100% of board members are physicians and all of them may have a compensation arrangement with the organization. In the non-healthcare setting, it is common for the local banker, lawyer, CPA or other professional to sit on a board of an organization and services are often rendered by such individuals to the organization. Accordingly, this question may lead a casual reviewer of the Form 990 to a conclusion that there is something improper occurring when that is not the case. There is nothing illegal about a board member providing services to a tax-exempt organization. This is an example of a situation when the effort to provide a summary view may in fact mislead rather than inform the public.

We believe that this question should be removed from the Summary and that if this question remains in Part III, space should be provided in Part III for organizations to provide an explanation of the situations when non-independent persons serve on the governing board. Often the size and scope of a contractual relationship with a board member is modest and while the relationship may create a conflict of interest, it does not necessarily taint the overall independence of the board member. A bank president's independence as a board member is not significantly tainted by the fact that the organization chooses to have accounts at the banker's bank. The implication of asking for the number of independent members is that there is something inherently bad or unlawful if an organization has non-independent board members. Rather than leave this impression in the public's mind, the current Form 990 contains ample disclosures to let a reader evaluate the extent to which Board member's independence may be compromised because the return requires the disclosure of all compensation arrangements. The disclosure of the nature of the arrangement and its dollar value is more effective than a question which implicitly deems any contractual arrangement regardless of size to taint the "independence" of a board member. For that reason, the question regarding the number of independent board members should be eliminated.

Part I, Summary, Lines 8a and 8b, Officer Compensation: Line 8a requires an organization to report the amount of officer salaries allocated as program service expense and line 8b reports the ratio of officer salaries to total program service expenses. Since the instructions clearly require organizations to allocate officer salaries to all functional expense categories, this summary disclosure will not reflect 100% of officer compensation. Given that the general public is unlikely to understand this fact, there is a significant potential that the disclosure will mislead rather than inform the public. If this information

remains in the Summary, the compensation amount should be taken from Column A of Part V (100% of officer compensation) and the ratio should be total reported officer compensation to the total expenses incurred by the organization.

Part I, Summary, Line 11: Contributions and Grants. There is a typo in the parenthetical instructions. The reference should be to Part IV, Line 1h (Total contributions) rather to Part IV, Line 1g (Noncash contributions)

Part I, Summary, Lines 13 and 15, Membership Dues and Assessments: Based upon the listed instructions, Membership dues and assessments are reportable directly on Line 13 and as a component of “other revenue” on line 15. The reference to lines 3 in the parenthetical instruction for Line 15 should be removed.

Part I, Summary, Lines 11 through 16: Percent of Total: The percentage calculations will be meaningless when negative income amounts are included in the total revenue amounts. Negative income amounts may occur on both lines 14 – Investment income and Line 15 – Other revenue since each of these lines has components that could result in a loss being reported for the income category (e.g. losses on investments or losses from the disposal of fixed assets).

Part II, Officer Compensation, Section A: Historically there has been inconsistency in the reporting of individuals as officers in the Form 990. Some organizations have taken the position that only individuals appointed by the organization’s board as officers under state law should be included in the officer compensation disclosure. Other organizations have taken the position that any individual with an officer title (e.g. vice president, senior vice president, chief financial officer, CEO, etc.) should be included in this disclosure since the title conveys to the public that the individual is an “officer”. In this revision, the IRS should clearly specify which of these historical practices is appropriate since the reference to “officer” and “key employees” in the existing instructions has not answered this question nor do the instructions included with the revised Form 990 clearly and definitively answer this question. Otherwise, comparable information will not be reported by similar organizations. The IRS may consider requiring that an individual reported in this section have spending authority exceeding a specified level based upon the size of the tax-exempt organization. This would establish a bright-line test organizations could apply in determining which individuals who have officer titles must be included in the disclosure.

Part II, Officer Compensation, Section B, Question 3, Approval of Salaries: This question is an example of the type of question that may be difficult for hospital systems to answer. The question asks if among others the CEO and CFO salaries were approved by “members of the governing body”. For many healthcare systems, compensation policies are established by the board of the parent corporation and the salaries of affiliate CEO and CFO’s are approved by the parent organization’s governing body rather than the affiliate’s governing body. In this situation, the technical answer to the question as asked is “no” but a “no” response would be an inaccurate reflection of the controls that the hospital system

has instituted. As discussed above in the Hospital System section, situations such as this one need to be addressed either through a rewording of the question or in the instructions.

Part III, Statements Regarding Governance et. al., Line 1a, Number of Board Members: The instructions for this question should clearly specify whether the reported information is related solely to the number of members of the governing body who are voting members, or if the question answer is suppose to include both voting and non-voting members of the governing body. Boards may include ex officio members and other individuals who are designated as “members” of the board, attend meetings and have the right to speak but who may not have the right to vote.

Part III, Statements Regarding Governance et. al., Line 3b, Conflicts Policy: Many organizations may not routinely track the number of transactions reviewed under their Conflicts of Interest Policy and to do so will be burdensome. In addition, it is unclear that the public will gain meaningful information from this statistic. Which is better, an organization that diligently investigates and reviews a number of transactions in a year that may be conflicts or an organization which reports zero investigations because there were no transactions to investigate? There is not a clear answer to this question. As an alternative gauge of the existence of a true Conflicts of Interest program, organizations could be asked to disclose how many annual conflict of interest statements/disclosures are completed by persons required under the organizations Conflicts Policy to complete annual disclosure statements.

Part III, Statements Regarding Governance et. al., Line 7, Local Chapters and Affiliates: In the context of a healthcare system it is unclear what this question means because the term affiliate is not defined. For a healthcare system, would the answer to this question be “yes” to the extent that the system consisted of more than a single entity? The context of the question suggests that it should be answered “yes” by those taxpayers that have a national organization with local chapters that are “affiliated” with the national organization but which may be independently governed but yet subject to the broad direction of the national organizations (i.e. organizations such as the Boy Scouts and Girl Scouts). If this is the case, then healthcare systems should answer this question “no”. The instructions should provide clarifications on how organizations should answer this question.

Part III, Statements Regarding Governance et. al. Line 8, Financial Statements: This question asks whether or not an officer, director, trustee, employee or volunteer prepares financial statements. The question is meaningless as the only way the answer to it will not be “yes” is if the financial statements are prepared by a paid independent contractor CPA or bookkeeper. Given this, what is the purpose of this question as this information does not seem relevant to a determination of an organization’s qualification for tax-exemption?

Part III, Statements Regarding Governance et al, Lines 9 and 10, Audits: Questions 9 and 10 are additional examples of questions that are problematic as worded for hospital systems that have an audit committee at the system level and/or have system level boards or committees review Form 990s prior to filing. Additionally, it is unclear that there is a

significant public benefit to be derived by creating an implicit expectation that governing boards review tax filings. Governing bodies exist to enact policy and to hold management accountable for the overall operations of an organization and the achievement of an organization's tax-exempt purpose. In this context of board responsibility, it may be impractical for boards of organizations of any size to spend time reviewing tax filings which are by definition the responsibility of entity management to prepare and file. Good governance practices should result in Board review of officer compensation, major transactions and programs, joint venture activities, etcetera. Having board's review the historical reporting of transactions and amounts they have previously approved adds to the workload of an organization's board without a commensurate increase in accountability or oversight.

Part IV, Statement of Revenue, Line 1c, Fundraising Events: Page 26 of the draft instructions includes a table that lists the types of activities that do not constitute fundraising. Included in the listing on non-fundraising activities are sweepstakes, lotteries or raffles. The table then indicates that these amounts should be considered as part of contributions and reported on Line 1c. The inclusion of these amounts in the contribution section of Part IV seems inconsistent with Rev Rul. 83-130 which states that the amounts paid for raffle tickets are not charitable donations.

Part V, Statement of Functional Expenses, Column B, Fundraising as a Program Service: The draft instructions state that "Fundraising expenses should not be reported as program-service expenses even though one of the organization's purposes is to solicit contributions." Many healthcare systems have independent tax-exempt foundations whose sole tax-exempt purpose is to fund raise for affiliated tax-exempt organizations. In this situation when the sole purpose of the organization is to solicit contributions for affiliate organizations should 100% of the foundation's expenses be reported as fundraising? Reviewers of the foundation return knows what its tax-exempt purpose is so categorizing 100% of the organization's expenses as fundraising is not meaningful nor consistent with the fact that fundraising is the program service under which the organization sought exemption in its Form 1023.

Part V, Statement of Functional Expenses, Column C, Meeting Expenses: The instructions state that an organization must report the cost of board of director meetings, committee meetings and staff meetings as management and general expenses. Most organization's accounting systems do not separately track meeting expenses and it is unclear what additional benefits users of the Form 990 will receive from separately identifying these expenses. This instruction should be eliminated as the burden of tracking meeting costs exceeds the benefit derived from doing so. This is particularly true as the costs of the meetings will still be buried within another expense category.

Part VIII, Statements Regarding Other IRS Filings, Line 9a, Number of Employees: This question requires organizations to report the number of employees reported on Form W-3. Previously, the Form 990 required organizations to report the number of employees the organization employed during a specified pay period. The prior disclosure provided a Form 990 user with a more accurate assessment of workforce size. The Form W-3 figure

will include employees who terminated during the year and accordingly because of turnover it will not provide an accurate assessment of workforce size. In addition, to the extent an organization utilizes a common paymaster or paying agent, the organization may not file a Form W-3 under their own federal id number and the answer to this question will technically be “zero”. This technical answer to the question will certainly seem misleading to a member of the public that reviews the Form 990 and who knows that the organization has employees.

Schedule D

Part XIII, Reconciliation of Net Assets: The reconciliation of net assets as provided does not work. It appears that Lines 5 through 7 should be omitted since the sum of beginning net assets, current year excess or deficit reported on Line 3 along with the Other Changes in net assets reported on Line 8 should equal an organization’s total ending Net Assets. In other words, as currently presented in Part XIII, the current year change in fund balance is being double counted based upon the way the lines currently flow.

Parts XIV and XV, Reconciliation to Audited Financial Statements: This section is another example when the Form 990 does not consider the complexity of tax-exempt organizations. The instructions need to include guidance regarding the completion of this section by organizations that have a single audited financial statement that includes all of their affiliated organizations but yet is required to file separate Form 990s for affiliated organizations that do not have a separate audited financial statement. The reconciliation process between the combined audited results and the single reporting entity provides meaningless information to the user of the Form 990.

Schedule H

Both the American Hospital Association and the Texas Hospital Association have submitted comments regarding Schedule H and THR is generally supportive of the comments made by both of these organizations. THR’s overarching concern regarding this schedule is that the IRS allows tax-exempt hospitals to report the full range of community benefit activities they conduct. The reporting should be done in a manner that maximizes the amount of information that is made available to the public and policy makers, ensures to the extent possible the comparability of the reported data while simultaneously imposing reasonable reporting burdens on tax-exempt hospitals. As previously stated in this letter, THR believes that the unreimbursed cost of Medicare services, the unreimbursed cost of bad debts and community building activities all should be separately reportable elements of community benefit. THR’s additional specific comments regarding Schedule H are as follows.

Part I, Community Benefit Report Table: The instructions and the table itself should make it clear that Column A does not apply to Lines 1 to 4. Reporting the “number of programs” for these lines does not make sense. In addition the instructions should provide clear guidance regarding the completion of Column B – Persons Served since there is a great deal of variability in how hospitals approach the tracking of this statistical

information. If the information is going to be comparable between hospitals, the IRS should define how this data element is to be calculated. Finally, the instructions to the table need to instruct hospitals how they are to report unreimbursed cost information relating to Medicaid and potential Medicare patients. In many states, Medicaid and Medicare services are provided both under the traditional government programs and through managed care providers who contract with the government to provide services to Medicaid and Medicare eligible patients. For purposes of the unreimbursed cost amounts, the IRS should make it clear that hospitals should report unreimbursed costs for all program participants both traditional and managed.

Part I, Community Benefit Report, Question 13, Charity Policy: Appropriately the proposed Schedule H asks organizations whether they have a charity policy and provides space for the organization to describe its policy. Charity policies are complex and it is unclear whether the proposed Schedule H provides sufficient room for a hospital to fully describe its policy. Perhaps more meaningful than a description of the terms of the charity policy would be a series of questions regarding whether or not a hospital makes its policy available to the public and how it goes about informing patients regarding the availability of charity care. In addition, a question should be added to this part of the Form 990 regarding whether a hospital has a discount policy that applies to self-pay patients who do not qualify for charity care.

Part II, Billing and Collections: It is not clear why this section has been added since it has no direct relationship to the determination of a hospital's tax-exempt status. Accordingly, THR supports the deletion of this section.

If this section remains in the final Schedule H, hospitals must be given the flexibility to complete the Billing Information schedule based upon patient classifications used within the hospital's billing system. The wording of the current instructions is not consistent with classifications used in many hospital billing systems. Accurate return preparation should not require the analysis of individual patient accounts to ensure that gross charge amounts are properly classified for tax purposes if the same gross charge amounts are appropriately classified in a different category for book purposes.

Sources of gross patient revenue are traditionally reported by payer type including: managed care, Medicaid, Medicare, commercial insurance and uninsured. Within these categories the instructions will need to specify whether managed Medicare and Medicaid patients are to be included within the Medicare/Medicaid category or within managed care.

In addition, if the Billing Information table remains, hospitals should not be required to report both net expected revenue and fees collected. The actual amount of cash collected on patient accounts changes daily hence there is no reasonable way to accurately match the reported amount of fees collected on line 4 of this schedule with the gross charges reported on Line 1 as one is a cash basis of accounting figure and the other is an accrual basis of accounting figure. If fees collected are reported, would the IRS expectation be that this figure be updated through the date the tax return for a given year is filed? Would there be an expectation that fees collected in the future but related to a prior year be reported in the

current year if otherwise not previously reported? The process of reconciling cash collections to expected net revenue could potentially create a burdensome tracking and reconciliation process for hospitals without any commensurate benefit to either the IRS or the public.

Part III, Management Companies and Joint Ventures: All tax-exempt organizations must adhere to the same rules regarding investment in non-wholly owned management companies and joint ventures. Accordingly, if this information is deemed important by the IRS to gauge an organization's continued qualification for tax-exemption, then the information should be provided by all tax-exempt organizations and not just hospitals. Thus, this section should be removed from Schedule H and included as either part of the core Form 990 on a separate schedule.

In any case, the instructions should specify whether ownership is measured as of the last day of the tax year or if organizations are required to report situations in which the ownership requirement was met at any time during the year.

In addition, the tracking of former officers, directors, trustees, key employee and staff physicians for 5 years may be a hardship. A 3-year timeframe for tracking former officers et. al. is more reasonable and the requirement should be imposed on a going-forward basis so that tracking mechanisms can be put into place to make this determination since this is not information that organizations necessarily tracked in the past.

Schedule H, Worksheet 1, Traditional Charity Care:

The proposed calculation is unnecessarily burdensome and is not consistent with the calculation of charity care under generally accepted accounting principals. The following approach would be simpler and for Texas hospitals it would be more consistent with the calculation of charity care required by state law:

$$\begin{array}{l} \text{(Times)} \qquad \qquad \qquad \text{Gross Charity Charges} \\ \qquad \qquad \qquad \qquad \qquad \text{Hospital's cost to charge ratio} \\ \\ \text{(Equals)} \qquad \qquad \qquad \text{Total cost of Charity Care} \\ \text{(Minus)} \qquad \qquad \qquad \text{Amounts received relating directly to the} \\ \qquad \qquad \qquad \text{patients account (excludes non-patient charity related payments)} \\ \\ \text{(Equals)} \quad \underline{\underline{\text{Estimated Unreimbursed Cost of Charity Care}}} \end{array}$$

Assuming a consistent methodology for the calculation of charity care, this simple approach should yield a comparable charity care estimate between hospitals. By limiting the amounts received to those paid by patients, hospitals that do a good job of cultivating charitable support to support their charity outreach programs are not penalized by the inclusion of these revenues amount in a manner that dilutes the amount of reported charity care. This approach will ensure a comparable reporting of the amount of charity care

services provided between hospitals. Netting costs by other revenue relating to charity care services will not result in an accurate reflection of the level of charity services.

Schedule H, Worksheet 2, Ratio of Cost to Charges:

As previously addressed in this letter, THR believes that the IRS should adopt a simple uniform cost-to-charge ratio that is calculated by dividing total expenses from Column A of Part V by a hospital's total gross patient charges. If the current Worksheet 2 approach is retained, the instructions need to provide a detailed line-by-line explanation of the types of items that are to be included in each of the specified adjustments. Even if the IRS provides these instructions, there will be inconsistent application and use of this worksheet between hospitals and the comparability of the reported charity amounts will be impacted.

Schedule H, Worksheet 6, Cost of Subsidized Health Services:

Texas law allows hospitals to report the unreimbursed costs associated with offering services to patients. Examples of such services include the operation of an emergency room, burn unit, NICU, etcetera if such service lines are provided at a net loss by the hospital. Presumably, the purpose of Worksheet 6 is to capture similar programs. The Worksheet 6 instructions should remind hospitals to account for the impact of charity patients' use of these services in computing the disclosed amounts. Otherwise, there is the potential that a hospital will report cost both as the cost of treating a charity patient and as part of the unreimbursed cost of operating the service line.

Schedule J, Supplemental Compensation Information

General Comment: Schedule J is an expansion of the compensation disclosure currently required in the existing Form 990. One of the weaknesses of the current reporting of salary information (which is continued in the proposed revision) relates to the reporting of non-qualified deferred compensation. Deferred compensation must currently be reported as the amounts are set aside (whether vested or not) prior to being paid to an individual. The deferred compensation amount is then reported again in the tax year when the compensation is actually paid. To the extent that the public, reporters or policy makers' base decisions, impressions or track the amount of Total Compensation reported (Column F of the new Schedule J) over a period of years, it is very possible that incorrect conclusions could be reached due to the double reporting of deferred compensation. Preferably within the design of the Schedule J compensation table, but at a minimum in a supplemental statement, Schedule J needs to give organizations the ability to identify amounts included in current compensation that were reported in previous years as non-qualified deferred compensation. Many organizations previously compensated for this reporting shortfall through footnotes to their compensation schedules that detailed amounts of current compensation previously reported by the organization as deferred compensation. Unfortunately, the advent of electronic filing limits the ability of organizations to report this information in a meaningful way in their Form 990. Accordingly, it is important that the IRS provide an explicit mechanism through which organizations can communicate the

amount of current year compensation that was reported as part of total compensation in a prior year Form 990.

Line 1(d), Non-Taxable Benefits: The instructions provide examples of nontaxable fringe benefits and include items such as no-additional cost services, qualified employee discounts and working condition fringes in the list of nontaxable fringe benefits that will be subject to reporting. Due to the non-taxable nature of these items, tax-exempt organizations do not currently track non-taxable fringe benefits nor can they be accurately and completely tracked by specific individual without a significant amount of additional time and undue hardship. Taken literally, the reporting of these amounts would require tax-exempt organizations to quantify and report every box lunch that is eaten by an officer at lunch meetings. By their vary nature these benefits are insignificant in amount and the burden associated with gathering the information far exceeds the benefit to be gained by the reporting of these amounts. As they have historically done, tax-exempt organizations should be required to report the amount of other non-taxable benefits.

Line 1(e), Non-Taxable Expense Reimbursements: It is unclear what purpose is served by requiring this information. For an expense reimbursement to be non-taxable it must meet certain requirements including eligibility for deduction as an employee business expense. To be deductible, an expense must be reasonable and it must satisfy a business purpose. Anecdotally, it is clear that the IRS is concerned that a handful of tax-exempt organizations may be improperly classifying extravagant trips and meals as expense reimbursements. Technically under existing tax laws, extravagant trips and meals would not be excludible from income under the accountable plan rules and would thus be subject to taxation and disclosure as taxable compensation.

In addition to the theoretical argument made above, there are practical issues associated with gathering the required information. Is the IRS imposing a requirement that organizations report amounts reimbursed directly to officers through an expense report in Schedule J or will the IRS require organizations to report all expense amounts paid directly to the officer or on the officer's behalf? For example, is information reported as compensation if an officer signs up for a seminar on-line and pays for it with his or her own personal credit card and then requests reimbursement from the organization through an expense report but not reported if paid directly by the company. In the first instance, different individuals attending the same seminar but paying for it through different means will have different compensation amounts reported. In the latter case, the IRS will be requiring the reporting of amounts as compensation that are not captured in any organization's accounting system as a normal part of doing business and thus will need to be tracked and accumulated by hand. In one instance the reporting requirement will create non-comparable information; in the latter case, this requirement will impose an undue reporting burden.

For both theoretical and practical reasons, the requirement to report non-taxable expense reimbursements should be eliminated. If there are specific expense related behaviors that the IRS deems inappropriate, then specific questions should be asked. For example, if the

IRS is concerned about first class air travel or by the payment of country club dues, then organizations should be asked if they make such payments.

Schedule L – Supplemental Information on Tax-Exempt Bonds

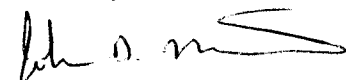
It is often the case that healthcare systems and other large tax-exempt organizations issue bonds to finance multiple projects. In Part III of Schedule L organizations should be given a way to make it clear that the organization's responses to the various private use questions may implicate only a very insignificant portion of the listed bond issue. Otherwise, an organization's answer to a question could be misconstrued as applying to the total amount of the bond proceeds disclosed in Part II of Schedule K. This is the danger of asking a simple "yes/no" question in an area that is as complex as tax-exempt bonds. To rectify this situation, Schedule L either should be modified to provide more specific project related information for each question that is answered "yes" in Part III or the private use question section should be limited to reporting a dollar amount of private use for the listed bond issue and the applicable percentage of private use. The latter approach will demonstrate in total whether or not a given bond issue is in compliance with the private use restrictions without creating potential misunderstandings on the part of the public regarding an organization's use of tax-exempt bond proceeds.

Schedule R – Related Organizations

Part V of Schedule R requires the disclosure of information concerning transactions with related organizations. For hospitals within a multi-hospital system or for any tax-exempt organization that is part of a related group of organizations, there may be a significant number of routine transactions that occur on a regular basis between the affiliated organization and the corporate parent. Often, the corporate parent maintains a single treasury function which manages cash deposits and disbursements for all the affiliated members of the system. To require the reporting of information on a transaction by transaction basis would be extremely burdensome, impractical and would provide the IRS and public with little useful information. We recommend that the instructions for Schedule R be modified to clarify that Part V does not apply to transactions among related tax-exempt organizations that are wholly controlled by a single tax-exempt parent organizations.

THR hopes that our comments and recommended changes will help improve the quality and usefulness of the information reported in the Form 990. Should you have any questions concerning our comments, please feel free to contact me at (817) 462-6864 or by email at johnmitchell@texashealth.org.

Sincerely,



John D. Mitchell
Vice President – Tax & Compliance
Texas Health Resources

From: [Selena Nelson](#)
To: [*TE/GE-EO-F990-Revision;](#)
CC:
Subject: comments from Fallon Medical Complex
Date: Friday, September 14, 2007 4:52:55 PM
Attachments: [Form 990 Comments.doc](#)

September 14, 2007

By Electronic Filing

Internal Revenue Service
Form 990 Redesign, SE:T:EO
1111 Constitution Avenue, NW
Washington, D.C. 20224

**RE: COMMENTS ON DRAFT REDESIGNED FORM 990 AND
SCHEDULES**

I would like to take this opportunity to submit comments on the draft redesigned Form 990 on behalf of Fallon Medical Complex, a small Critical Access Hospital in rural, eastern Montana. Please note that we also endorse the comments provided by AHA and the Montana Hospital Association (MHA), and ask the IRS to incorporate the recommendations of the AHA in a final regulation.

I appreciate the difficulty in crafting legislative regulation that is fair to all involved, but I truly believe the proposed changes are overkill for the small, rural or frontier CAH's struggling to keep their doors open. Please consider the following.

Fallon Medical Complex concerns:

- We are minimally staffed with most staff wearing several "hats".

- We do not have staff trained to compile community benefit information, nor do we have the software needed for the task as detailed in the proposed form.
- We can not afford to purchase and maintain the software used by larger hospitals to compile community benefit data. We are currently using an Excel Spreadsheet format.
- We believe the reporting requirements impose an unreasonable burden and will further stretch our limited resources. We can barely keep up with the ever-changing CMS regulations.
- We support Montana Hospital Associations recommendation that CAH's be exempted from the community benefit reporting requirement or be required to report based upon a significantly reduced dataset.
- We are a living example of how the continued operation of a CAH – providing the only access to health care in a frontier community – should justify our community benefit.
- The Definition of Community Benefit should include unpaid Medicare/Medicaid costs and bad debt. Providing medical treatment for the elderly and serving Medicare/Medicaid beneficiaries is an essential service provided by hospitals – regardless of the amount hospitals are paid for doing so.
- Unpaid Medicare costs amount to a subsidy hospitals provide to the Medicare program and are a substantial community benefit.
- Private pay pricing and discount information is proprietary and the Form 990 is not a appropriate tool for the public to seek current pricing information. By the time the information is available to the public, the pricing information would be seriously out of date and irrelevant.

We appreciate the opportunity to comment on the proposed guidelines and if you would like additional information, please feel free to contact me at 406.778.5103

Sincerely,

Selena Nelson

Selena Nelson, CFO

Fallon Medical Complex, Inc

P O Box 820

202 South 4th Street West

Baker, MT 59313-0820

(406) 778-5103

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From: [Lohkamp, Christie A.](#)
To: [*TE/GE-EO-F990-Revision;](#)
CC:
Subject: Mayo Clinic Comments to Form 990
Date: Friday, September 14, 2007 4:44:09 PM
Attachments: [Mayo Clinic Form 990 Comments.pdf](#)

Please find attached comments regarding the draft Form 990.

<<Mayo Clinic Form 990 Comments.pdf>>

Christie Lohkamp, J.D.
Director, Corporate Tax
Mayo Clinic
200 First Street S.W.
Rochester, MN 55905

September 14, 2007

VIA E-MAIL TO: _____

Form 990 Redesign
ATTN: SE:T:EO
1111 Constitution Ave., N.W.
Washington, DC 20224

RE: Mayo Clinic's Comments on the draft 2008 Form 990

To whom it may concern:

As many others have said, Mayo Clinic applauds the efforts of the IRS to redesign and improve the Form 990 and realize the tremendous efforts that have been invested so far on this project. The suggestions put forth below are also a result of a significant detailed review of the form and instructions. In reality, the compressed comment period has made it difficult to devote the time and effort to the review of this significant of a revision that it deserved. I would highly recommend that the IRS review the comments submitted by September 14, incorporate changes where they feel it is warranted, and submit another draft for review. This is only possible, of course, if the effective implementation date is delayed as mentioned below.

The changes being made on the Form 990 are significant. For large exempt organizations, some of these changes will require modifications to information systems in order to collect the data requested. The expansion of information requested is going to be an expensive burden for some organizations. These changes can not always be made quickly and can not be made until final specifications are known (or even more expenses will be incurred later on when final instructions are issued). To rush the changes would be ill-advised as well as a poor use of charitable assets. I would therefore recommend that an additional round of draft/comments be done and that implementation of the form be postponed at least one year, and possibly two depending on when final instructions can be issued. To ensure efficient implementation, there should be a gap of 6 months to a year from point of finalization to the beginning of the time period affected by the changes.

Mayo Clinic and its affiliates are a large healthcare system and some of the individual entities are quite complex. However, Mayo Clinic also has in its system small rural hospitals, small auxiliaries (run entirely by volunteers), and non-healthcare entities. The Mayo Clinic Corporate Tax Department currently files approximately 60 Forms 990 every year and the increase in data required may well result in the need to hire additional staff. Many small volunteer organizations are going to have to spend dollars otherwise spent on charitable purposes to have returns completed by paid preparers because the time commitment to prepare the returns may now be beyond the level that practitioners are willing to do on a pro bono basis. Additionally, the increased information collection burden is causing many healthcare systems to reconsider their organizational structures, with an eye to reducing the number of Forms 990 they file, regardless

of business or efficiency needs surrounding the separate entity structure. This is an indication of just how burdensome the regulatory environment is becoming for exempt organizations. This comment has been echoed by many healthcare systems. This is particularly disconcerting when so much of the added burden has no connection with the legal requirements for tax exemption. The goal of increased transparency and comparability is laudable, if appropriate cost-benefit considerations are made.

Due to the volume of changes in the new form, there are many comments to be made. Unfortunately, this means that it was not possible, given the time constraints placed on the comment period, to fully title each comment with the description or text of the question being addressed. Reference to the form will have to be made in order to understand the context of the following comments.

The comments in this submission are organized into three major sections:

- Timing (discussed above)
- Overall comments on forms and instructions
- Line-by-line comments

Asterisks next to the items in the line-by-line comments indicate these items are considered most important. Many of the other comments are more about convenience for completing the form, or efforts to make the form less subject to misinterpretation by donors, reporters, etc.

OVERALL COMMENTS

The format of a core form and schedules is a very useful format.

Glossary: The concept of a glossary is very good. However, items defined in the glossary need to be somehow highlighted (i.e. bolded, underline, or italicized) in the form/instructions in order for it to be useful. There are more items in the body of the instructions which would be better relegated to the glossary. Comments were submitted by Mr. Jack Siegel of Charity Governance Consulting LLC which gave several good examples of such items.

Yes / No should include N/A: With the addition of so many yes/no questions and the framework of e-filing, it would be useful to provide an "N/A" box for most of these questions as well. It is easier to tell that a question has been considered if it is marked "N/A" rather than left blank.

Front page summary: The change on the front page to summary information is, in and of itself, a fine idea. However, the items that were chosen and the inability to provide explanations diminish the usefulness of the information presented there. Many of these items will look strange in larger health systems where many services are provided centrally in a parent entity. This will be addressed more fully in the line-by-line commentary. Another option on some of the line items would be to allow systems to elect to provide the information on both an entity-by-entity basis and a consolidated basis in order to give a well-rounded view of the information on a system-wide basis. There also needs to be room, on the face of the form, to provide explanations of unusual items.

Best practice questions: There are a lot of items included in the new return which are best practices and are not required for tax exemption. Their presence on the form causes them to appear to be requirements for tax exemption. The form is already extensive and creates a heavy burden on exempt organizations and sincere consideration should be given to eliminating these items and doing other educational efforts aimed at these items. If they can not be

eliminated, these items should be grouped together and clearly labeled as “not required for retention of tax exempt status” on the face of the form. Many people reading the Form 990 are not going to understand the fact that these items are not required and will misinterpret the significance of the responses. Donors, newspapers, employees, etc. do not necessarily know the requirements for tax exemption.

Duplicative reporting and organization: There are a number of issues which are mentioned in multiple places which should be organized to have all the information on that particular issue in one place and reported once. More detail on this issue will be mentioned below in the line-by-line commentary.

Explanations: There needs to be an opportunity to explain items and have them referenced at the point of the answer being explained. This was an easy task in the world of paper filing when a statement reference could be written or typed in next to a particular line item. However, the general explanation attachments available in e-filed returns are only useful if they are read by the person reviewing the form. The comments below will mention several places where room needs to be provided for explanations. Otherwise, e-filing software needs to be able to indicate on the face of the form at the applicable line that an explanation is attached. One possibility is a small check box next to each line number that would be checked if an explanation or schedule is attached related to that line. Another alternative might be to provide room at the bottom of each page for explanations that could reference line items above and refer to the appropriate general explanation attachment or other schedule.

Public disclosure of sensitive information: There are several areas on the form that have received numerous comments regarding sensitivity surrounding public disclosure of the information. I would recommend pursuit of legislation allowing certain information to be separate and nondisclosable. Such information could include foreign grant details, board and officer home address information. It would even be helpful if the phone number of the contact person could be included in this nonpublic detail as many salespeople now use this information to generate sales calls and thus the tendency is to provide a more general number rather than to the finance or tax departments.

Line numbers: The comments submitted by Mr. Siegel also made a good suggestion that line numbers include the part or schedule number to avoid confusion (such as Line A-10, or II.A.10).

Triggers for completing schedules: A summary page with the questions which determine whether a schedule should be attached would be useful. There could be a symbol used throughout the form to indicate lines or sections where additional information may be needed which refers them to this summary page. It would be easier for a preparer or reviewer of the return to determine if all required schedules have been attached if the trigger questions are in one place. As it is currently formatted, a reviewer would have to thumb through the entire return checking many different places to see if additional detail was expected and this can easily lead to an oversight.

Page numbers: Where it is likely that additional copies of pages will be required (see Schedule F), there should be a place to number pages XX of XX such as is currently used with Schedule B.

DETAIL COMMENTS – CORE FORM

Due to the volume of comments, I have not included a description or title in connection with each line, so reference to the form will be necessary in order to understand the import of many of these comments.

General Instructions

General Instruction A – Not all “controlling organizations” should be required to file Form 990. They should only be required if they have transactions with the controlled entity. Because of attribution rules, even the smallest organizations in a health care system (such as auxiliaries) may be a controlling organization as defined in IRC § 512(b)(13) but they may not have any transactions with their controlled organization.

General Instruction J – This section should be updated for e-filing. There should also be a discussion of what must be provided upon request with regard to public inspection when a return is e-filed (i.e. data on form, list of data items, attachments of other forms such as Form 5471).

Header

Header, Item B – There should be information in the instructions as to when “Name Change” should be marked. If name change information has been sent into the IRS separate from the returns, as is often necessary to satisfy Medicare and donor needs, should this box be marked? It would seem to make sense that anytime the name on the current return is different than the prior return the box should be marked, but this may not be the preferred method if the name change has already been submitted to the IRS.

Header, Item C – Consider including a “dba” box as some organizations have a legal name different from the name that the general public knows them by, similar to the setup for the Form W-9 on the IRS website.

*Header, Item F – Most CEO’s are not going to want their home address on the front page of the Form 990 for many reasons (identify theft, personal safety, junk mail). It is likely that many organizations will end up using the business address. Consider alternative methods to collect this data.

Header, Item L – Instructions should include information on how to answer if the year of formation is unknown and how to treat it in cases of multiple mergers. Would year of exemption be a better date and then IRS records could possibly be referenced? Of course, some organizations may not know their original year of exemption either.

Header, Item M – What is the purpose for asking for this? State of formation doesn’t affect federal tax exempt status.

Part I

Part I, Line 3 & 4 – Duplicated with information in Part III. Should only be presented once.

*Part I, Line 4 – As a controlled group of corporations, Mayo Clinic relies on its parent board, which has a majority of independent members, to fulfill this requirement for tax exemption.

Many of our subsidiaries have few or no independent members but key governance powers and rights are reserved to the parent board. There should be an opportunity to explain this or provide this information in conjunction with this question wherever it resides.

Part I, Line 6 – Duplicated with information in Part II. Should only be presented once.

Part I, Line 8a – Instructions should indicate to show “N/A” if there are no program service expenses (for instance in a fundraising foundation that had no payout in the current year).

*Part I, Line 8b – Again, as a system, our parent board will have an unusually high percentage as the highest paid individuals are in this entity and provide oversight to our entire system, but the program service expenses of the system are primarily in the subsidiary entities. There should be an opportunity to explain provided on the face of the form or the ability to provide system-wide data along with entity-level information.

*Part I, Line 9b – Requiring this information on Form 990 will delay filing of the form. Mayo often files some of its Forms 990 prior to completion of the correlating Form 990-T as the expense allocations, Schedules K-1 from partnerships, and other information in connection with unrelated business income may take longer to complete. Form 990-T is publicly available now and thus there is no need to provide this information on Form 990.

Part I, Line 10 – See discussion above about trigger questions for attaching schedules.

Part I, Line 11-15 and 17-20 – Again, this information will be skewed in organizations that operate as a system but have separate entities. Some entities may provide more fundraising expenses or more management & general expenses while others have more of the program services. It would be a more complete and useful disclosure if system-wide information could be provided as well as entity-level, at the choosing of the entity.

Part I, Line 19b – This should be listed separately (even if nearby) rather than part of the chart. At a minimum, there should not be any boxes to the right for it.

*Part I, Line 11-24b – There should be a line here equivalent to Line 20 on the old Form 990 to allow rollforward and tying out of net assets from year to year. Currently, this information is only provided in Schedule D, Part XIII. If nothing else, provide a total from Schedule D with instructions to complete Schedule D, Part XIII. At a minimum, there needs to be something on the core form to trigger the completion of this part of Schedule D.

Part I, Line 25 & 26 – It seems rather duplicative or even triplicative to have this information displayed here. Some of it is above on Line 11 & 19a, some on Schedule G, and some in the Revenue and Expense sections. Does this issue touch a significant enough segment of the exempt organization population to warrant space on the first page?

Part II – Section A

*In general, the combination of the various items here into one schedule is a definite improvement. The information at the top of the section could be clearer, maybe put in a chart form.

		List on Form 990, Part II, Section A	Complete Schedule J
Officers and key employees	Current	All	Compensation >\$150,000 or Compensation + deferred compensation, benefits, and expense reimbursements >\$250,000
	Former	Compensation >\$100,000	If listed
Directors & trustees	Current	All	Compensation >\$150,000 or Compensation + deferred compensation, benefits, and expense reimbursements >\$250,000
	Former	Compensation in capacity as former director or trustee >\$10,000	If listed
Five highest paid	Current	Compensation >\$100,000	Compensation >\$150,000 or Compensation + deferred compensation, benefits, and expense reimbursements >\$250,000
	Former	Compensation >\$100,000	If listed

It would be helpful to highlight that former directors/trustees are treated differently than former officers, employees, and five highest paid.

Was the inclusion of former five highest compensated individuals intentional? What information do you anticipate gleaning by requesting this information?

The instructions attempt to deal with disregarded entities but are not particularly clear on who to include and who not to include. Further clarification is needed.

Defining the term “former” as anyone disclosed on the prior five Form 990 series forms is a definite step in the right direction. This, however, would be an example of something useful to have in the glossary. It would also be helpful to be able to indicate their current position in an effort to explain why they are currently compensated (i.e. if a physician steps down from the board but is still employed as a physician).

*There should be a definitive statement regarding which category and thresholds apply to (a) directors who are employees or (b) officers who are not employees.

Part II, Section A, Column (B) – There should be a column for “five highest compensated employees”. An alternative to the columns would be to provide alphabetic or numeric codes to indicate the various titles.

Part II, Section A, Column (C) – Instructions should clarify if this column should be checked if an employee is full-time with the related organization rather than the reporting organization.

Part II, Section A, Column (F) & (G) – Providing this information could be a violation of HIPAA if the information is in connection with medical services. With the definition of loan as including receivables, if a director had a balance owing for medical services provided by the hospital, it would fall within the definition of what should be disclosed. There should be some limitation that

would keep this from being included, for instance receivables outstanding less than a year that were created in the ordinary course of business and that are on the same terms that are available to the public or the rest of the customer base.

Part II, Section A, Instructions – When defining reportable compensation (which should be in the glossary and only referenced here), it should say “For directors and individual trustees who are not employees”.

Part II, Section A, Line 2 – Easy to miss at the bottom of the form and is duplicative with information provided in Part I.

Part II – Section B

Part II, Section B, Line 4 – The instructions should clearly state that this question is inquiring about when deferred compensation is accrued, not when it is paid out. It would be easy to interpret “earned” to mean time of payout.

*Part II, Section B, Line 5 - It would be helpful to most organization if the IRS would provide sample forms that could be given to individuals that would explain the issues, define the terms, and elicit the answers in connection with the various lines regarding relationships among parties and potential conflicts of interest. It is difficult to design something that gets at all of these issues when all of the various similar type questions on the form (i.e. varying definitions, who the questions apply to, dollar limits) are combined. Consistent and complete collection and presentation of this information would probably occur if a concise sample data collection form was created that could be given to the individuals and entities involved.

*Part II, Section B, Line 5 – The various places where there is a \$5,000 limit before needing to disclose is helpful. It would be more so if it was \$5,000 or 2% of expenses or some other number indexed to the size of the organization.

Part II, Section B, Line 5b – If there are attorneys or physicians in the group, information on their business relationships with others in the group may violate confidentiality provisions and should not be made public. The instructions could possibly clarify that disclosure is not required if it would result in a breach of ethics or professional responsibility under an established or published professional code of conduct.

Part II, Section B, Line 5c – Please clarify whether “indirectly” involves transactions with organizations related to the exempt organization filing the return or only through ownership of more than 35% in another entity. The way the sentence is worded it is not clear.

Part II, Section B, Line 5f – It is a little confusing just whose name goes where.

Part II, Section B, Line 10a – Instructions indicate not to include independent contractors paid for fundraising services because they are separately listed on Schedule G. This piece of information should be provided on the face of the form. For instance, the line could read at the end “Exclude those included in Part II, Line 5f and Schedule G, Line 1b.” Also reference to Line 5f should indicate which line 5f as there could be more than one at some point in the future due to the numbering scheme.

Part III

*As mentioned above, for the items in this section that can not be eliminated, there should be a prominent header that the information requested here is in connection with best practices but not necessarily a requirement for exempt status.

The instructions should make it clear whether each entity in a system must adopt specific policies or if adoption at the system level on behalf of the system is sufficient to answer affirmatively.

There should be room allowed on the page to explain answers to the questions.

Part III, Line 1b & Glossary – It is not clear from the definition of independent member of governing body if a board member who has a business that does business with the exempt organization means that the board member is not independent. In many smaller towns, the hospital may do business with almost every other business in town. For larger organizations, the kind of board members with significant business experience are likely to own companies that do business with the entity or a related entity.

Part III, Line 1a & 1b – This information should be included, if at all, on Page 1 or here, but not both.

Part III, Line 1b – There should be an opportunity to explain where a parent board is made up of independent members.

Part III, Line 6 – The instructions require contemporaneous minutes for “every meeting.” It is possible that one particular meeting is inadvertently overlooked or prepared later. The level should be “substantially all” or something similar.

Part III, Line 9 – If the entity is the member of a system of organizations (i.e. a health care system), can a subsidiary organization mark this question as “yes” if there is an audit committee at the parent level that is responsible for all the entities in the system?

Part IV

In response to the request for comments on the issue of which set of codes to use, the NTEE codes are more representative of the needed codes than are the ones currently used for unrelated business activity.

The instructions should clarify what to do if revenue on any particular line represents revenue from more than one code (i.e. on Line 2b fees and contracts from government agencies).

*Part IV, Line 2 – The instructions mention reporting all of the revenue on Line 2 in Column (A). This is not consistent with the current instructions (page 24 of 2006 Form 990 instructions). If this is indeed what is expected, then columns (B) – (D) should be shaded. If it is not what was expected, then the instructions should be changed.

Part IV, Line 2d-f – It is quite likely that there will need to be more than three entries in this section. Recommend allowing more detail on a schedule in Schedule D.

Part IV, Line 9 – By requiring that rental expenses be netted against income in this section, it often results in a reconciling item when reconciling to the audit. The rental expense information should be reported as part of the expense section.

Part IV, Line 9 – Rather than combining rent from real and personal property on one line, consider giving each its own line (especially if expenses are reported in the expense section).

Part IV, Line 11a – Too many different items are being included on the face of the form for this line item. It is confusing. Also, is the Schedule G threshold of \$10,000 related to gross revenue or net? Recommend “If Line 11a exceeds \$10,000 complete Schedule G.” See overall discussion items regarding a summary page for trigger questions, which would be preferable.

Part IV, Line 11b – Reporting the direct expenses of special events on this line often results in a reconciling item when reconciling to audit.

Part IV, Line 13a – An organization should be allowed to show more line items if needed, possibly through a section on Schedule D.

Part V

Part V, Column (B) – The instructions for this column state that fundraising expenses should not be reported as program-service expenses even though fundraising is one of the organization’s purposes. What if the only purpose of the organization is fundraising? Can they allocate between program service and fundraising?

Part V, Column (B) & (C) – Many parent entities in health systems have, as one of their purposes, to provide support and governance services to its affiliates and subsidiaries. How should these expenses be treated between these two columns? If these amounts are treated as management & general expenses, it distorts the nature of the activity for these kinds of organizations.

Part V, Line 3 – The instructions indicate that foreign grants or specific assistance include grants to persons who are not citizens or residents of the United States. A grant to a non-citizen or resident who is currently in the United States and would be expected to spend the monies in the United States should not be considered a foreign grant.

Part V, Line 6 – The instructions should clarify whether this includes amounts paid to independent contractors or amounts paid to a disqualified persons’ business (i.e. if a disqualified person owns a garbage company which services your organization). I believe the line is intended to reflect only salary expenses but it is not clear.

*Part V, Line 8 – Employee deferral contributions to 401(k) or 403(b) plans are likely accounted for as salary expense and may not be readily separated for reporting on this line.

Part V, Line 15 – It might be helpful for the instructions to clarify whether or not to include royalty payments to inventors in conjunction with royalty-sharing arrangements.

Part V, Line 21 – The description for “Expenses for providing goods or services to affiliates” should be expanded. How should shared service type expenses be treated such as a hospital who processes payroll for a number of entities in a health system (referring to the cost of processing the payroll not the salary and benefits expenses)?

Part V, Line 23 – An organization should be allowed to show more line items if needed, possibly through a section on Schedule D. This is especially important in order to keep “Miscellaneous Expenses” under 5%. Also consider having Line 23f state “Miscellaneous Revenue (must be less than 5% of Line 24).

Part V, Line 23 – If it is desirable to have UBI taxes stated separately, then it should have a line item specifically dedicated to it. This line item should state that both federal and state taxes are included. Consider having a line item for other taxes such as provider taxes, personal property taxes, sales tax, etc. It may not be necessary at all now that Form 990-T is public as well.

Part VI

As mentioned previously, the triggers to complete additional schedules should be centralized in one location but could be indicated by some kind of symbol or reference.

Part VI, Line 5 – Health care systems may have patient care receivables from the listed individuals. Information provided may violate HIPAA and at any rate should not be made public.

Part VI, Line 10 through 14 – The instructions should provide definition of what investments go on which of these lines. If they are relying on definitions provided in the income statement instructions, those instructions should be referred to here. If they are relying on the glossary (the better choice), that should also be referred to in the instructions for these lines.

Part VI, Line 21 – Instructions should clarify how to treat bonds held by a group of entities if proceeds are spent by more than one entity (i.e. should the parent or main entity show the entire amount or should it be allocated among the group). If the same bond issue shows on multiple returns, Schedule K will need to discuss how to provide the information correctly.

Part VII

See earlier comments regarding questions triggering additional schedules and the need for “N/A” as an alternative to many questions where “yes” or “no” are presented as options.

Part VII, Line 1a – Schedule F instructions state that grantmaking to recipients located in a foreign country is at issue, rather than grantmaking occurring in the foreign country. However, fundraising is limited to fundraising “in a foreign country.” The instructions to Line 1 or Schedule F should indicate whether the “foreign classification” is based on where the activity happens or where the money is spent or used. The wording is not clear.

Part VII, Line 1c – If the instructions are going to discuss Form TD F 90-22.1, it should inform the entity that individual officers or other persons may be required to file this form individually as well.

Part VII, Line 2 – Instructions to this line or the glossary should clarify that conservation easements are only an interest in the land of others (not an easement held by an outside party against land which the organization owns).

Part VII, Line 5 – This should be limited to those organizations for which displaying the art is part of their exempt purpose. A hospital may well maintain a collection of art that they display on their walls for the benefit primarily of patients, visitors, and employees.

*Part VII, Line 6b-6d – Should be made part of Schedule K.

Part VII, Line 10 – In the past, only organizations who have their public charity status as an educational organization were required to complete this schedule (see comments to Schedule A regarding organizations that meet more than one public charity category). Consider coordinating with Schedule A.

Part VII, Line 11 & 12 – Should be part of Part III. Sample policies should be provided and the questions should be marked as being a best practice and not necessarily required for exempt status.

Part VII, Line 13 – Second portion of question should be specific as to whether it should only be completed if the answer to the first question is “yes”? An “N/A” box should be provided for the second portion.

Part VII, Line 14 & 15 – Consider segregating questions designed to be answered by only specific types of entities, possibly on Schedule D with a trigger question such as “If you are exempt under 501(c)(7) complete Schedule D, Section ???”

Part VII, Line 16 – This should either be part of the trigger questions or be included on Part VI near Line 30.

Part VII, Line 17 – This should either be part of the trigger questions, included with fundraising questions, or included on Part IV near Line 1.

Part VIII

The instructions and lines indicate additional forms which might be needed. This should be included in a chart form with reference to the Line numbers or included along with other trigger questions so that it is easy to assess what additional filings might be necessary.

Part VIII, Line 3c – Since Form 8886-T is a one-time filing, the question should make this clear.

Part VIII, Line 3 – If inquiring about Form 8886-T, should inquiry be made with regard to Form 8886?

Part VIII, Line 5d – The entity may not have access to this information as these taxes are imposed on the individual donor or manager.

Part VIII, Line 8a – Should be combined with Part I, Line 9.

*Part VIII, Line 8b – An organization should be allowed to mark “Yes” if it plans to file the Form 990-T by due date or extended due date. Otherwise, organizations are likely to delay filing Form 990 until the Form 990-T is ready to be filed. An alternative would be to have two separate questions: Have you filed Form 990-T? and If you have not filed, do you intend to file by the due date (including extensions)?

Part VIII, Line 9 & 10 – Discussion of appropriate reporting in common paymaster, common pay agent, or centralized A/P situations should be discussed.

Part VIII, Lines 11-14 – These should be grouped with other fundraising questions or included on Schedule G.

Part VIII, Line 12 – It should indicate on the form itself that organizations that qualify to receive deductible contributions under 170(c) should mark “N/A” and an “N/A” box should be provided.

Part IX

*This section should be moved much sooner in the form as it is the whole reason for the entity to exist.

Part IX, Line 2 – Shouldn't this be the same information as what is presented on Line 3a? Appears to be duplicative. If not, should provide examples of what is being sought.

Part IX, Line 3, Column (A) – There is an asterisk (*) without a reference on the form to its meaning.

Part X

Instructions for this part are included in General Instructions. This fact should be referenced under the part number after Part IX instructions.

The significance of the “Third Party Designee” section does not appear to be discussed in the instructions. Also, wouldn't putting a “Personal Identification Number” on the face of a publicly disclosed form make a PIN rather unsecure.

SCHEDULE A

*An organization should be allowed to mark more than one item if they qualify under multiple provisions and choose to indicate so. Some educational or hospital organizations may also satisfy the public support tests of IRC § 509(a)(1) or 509(a)(2) and it may be useful for donors to have that information (such as a terminating private foundation or substantial contributor determinations).

Schedule A, Part I, Line 11f – Instructions should indicate how such a letter can be obtained. The face of the form should indicate that such a letter is not required.

Schedule A, Part I, Line 11h, Column (vii) – Should be allowed to include non-monetary support, especially if functionally integrated.

Schedule A, Part I, Line 11h, Column (iv) – Should be allowed to indicate “yes” if listed as a class (or maybe if it is a class with less than XX members).

Schedule A, Part I, Line 11h, Column (v) – Instructions should discuss what kind of notification is required.

*Schedule A, Part II & III – The years in the heading should be blanks for dates to appropriately accommodate fiscal year filers, short years, etc.

*Schedule A, Part II & III – It would be preferable if the current year figures were displayed as one of the five years. It's not clear due to use of “20XX” whether it will be five prior years or current plus 4 prior years.

Schedule A, Part II & III – Instructions say to attach a schedule for unusual grants. The total from that schedule should be on the form and a schedule should be included as part of the form.

Schedule A, Part II, Line 16 – Instructions should indicate what to do for organizations that do not know this information.

Schedule A, Part II, Line 5 – Instructions still say 4 years although form has been expanded to cover 5 years.

Schedule A, Part III – Heading of this part instructs the organization to use the “cash method of accounting”. Instructions should provide direction on how an organization with books on the accrual basis should convert their numbers to a cash basis.

SCHEDULE B

Schedule B, Special Rules – The first special rule should make clear that it is 2% of Line 1 on the current year return, not 2% of the 5-year amount as used in Schedule A. You might consider requiring the supporting numbers be provided on Schedule A.

Schedule B, Part I, Column (d) – The instructions should clarify the definition of the three categories.

SCHEDULE C

There should be a chart to help explain what organizations should fill out which section to help ease confusion and eliminate inadvertent oversight of a required section.

SCHEDULE D

Part I

Schedule D, Part I – For entities with large holdings, the number of pages that will have to be added will be cumbersome if all such holdings are itemized as described.

Schedule D, Part I – Instructions should clarify how an entity’s portion of pooled investments should be listed (such as in a large healthcare system with centralized treasury or investment services).

Schedule D, Part I, Column (c) – Would recommend including checkboxes for common methods.

Part VII

Schedule D, Part VII – If the Federal Income Tax liability is to be included, it should be a line item on the Core Form balance sheet or organizations may not realize it is to be separately categorized.

*Schedule D, Part VII – The form and instructions should clearly state how to handle FIN 48 footnote disclosure for entities that are part of a consolidated audit. Also, the footnote is not likely to fit in the space provided.

Part XI

Schedule D, Part XI, Line 1 – The instructions indicate that all organizations must answer Line 1 but the header for the part indicates only those answering “yes” to the appropriate question on the core form need complete this part.

Part XII

Schedule D, Part XII – Header of part should indicate that it is for organizations answering “yes” to this question.

Part XIII

*Schedule D, Part XIII – Instructions indicate that all organizations are required to complete this schedule. If that is the case, it should be part of the core form. Many organizations will never see this schedule otherwise.

Schedule D, Part XIII – Seems like some of this would double count information since Line 5 - 7 would encompass all changes in net assets and thus would duplicate anything listed on Line 8. This should result in a clear reconciliation from BOY to EOY net assets.

Part XIV

*Schedule D, Part XIV – There should be a trigger question on the core form “Do you have audited financial statements?” Instructions should clarify how an organization should complete this section (or not complete it) if included as part of a consolidated audit.

SCHEDULE E

See prior comment for Form 990, Part VII, Line 10 regarding who must complete Schedule E.

SCHEDULE F

See earlier comments regarding clarifying whether this schedule is seeking information on grantmaking and fundraising activity occurring in the country or aimed at benefiting the country.

*Some grants or activities may benefit a group of countries with an unknown breakdown between the countries. E-filing will need to allow multiple countries to be listed on one line in these instances.

Schedule F, Part I, Line 1 – For entities with significant overseas operations, this schedule is going to be quite burdensome.

Schedule F, Part I, Line 1 – As a large healthcare system, some foreign activities may be jointly carried out by multiple entities (i.e. research activities may involve personnel from multiple entities). Instructions should clarify how to report such activities.

Schedule F, Part I, Line 2 – Instructions refer to “Purpose of Form” above for definition of foreign country. Unable to locate the definition. It should be part of the glossary.

Schedule F, Part I, Line 5a – Due to its inclusion in Schedule F, this question is presumably directed at foreign grants or assistance, but it should state so.

Schedule F, Part I, Line 5 – Again, this information along with other conflict and relationship activity should be put together in a sample questionnaire that organizations can give to affected individuals in order to gather the appropriate data.

Schedule F, Part II– Although the \$5,000 threshold is welcome, a \$5,000 or 2% of expenses threshold would make this more useful, as otherwise large organizations may have a long list.

Schedule F, Part II, Column (b) and (c) – This information may well be unknown in many instances.

Schedule F, Part II, Column (f) and (i) – Consider checkboxes or codes for common methods.

Schedule F, Part III – Should consider a threshold reporting limit for this part similar to Part II.

Schedule F, Part III, Column (e) and (h) – Consider checkboxes or codes for common methods.

SCHEDULE G

*Schedule G, Part I, Line 3 – Should consider checkboxes for states. For national organizations, this will be a very long list if jurisdictions below the state level are included as many counties and cities are not requiring registration.

Schedule G, Part III, Line 10 – Should indicate they are referring to “gaming” workers.

Schedule G, Part III – Should consider a de minimis amount not requiring detail.

Schedule G, Part III, Line 13 – If aimed at specific types of entities (as indicated in instructions), should so indicate on face of form.

SCHEDULE H

*The first item that must be addressed is the definition of who must fill out this schedule. The title of the form, various line instructions, and the trigger question can lead one to different conclusions. One recommendation would be a definition tied to licensure as a hospital or public charity status as a hospital.

*In addition, once that definition is set, there needs to be clarification if an entity, once required to fill out the schedule, should be filled out for the entire entity, or only for that portion of the entity that fits the definition (such as an entity that contains a hospital, a research organization, a nursing home, and a reference laboratory). If the definition essentially just catches hospitals, should charity care and Medicaid shortfall in the nursing home or in the lab be included? Would they fill out the billing chart for the entire entity? In order to get comparable data, the data should be based on the part of the entity that meets the definition that triggered filing of the

form, but organizations do not ordinarily have the information broken down by various lines of business.

*Another area affecting comparability of data involves the difference between systems organized into separate corporations and those who operate as divisions of one corporation. In order to have comparable information, either the separate entities must be consolidated or the divisions must be required to report separately. One option may be to allow systems organized as separate corporations to provide both separate entity data and system-wide data, should they choose. Alternatively, Part I of Schedule H could be completed on a hospital by hospital basis.

The comments submitted by the American Hospital Association on Schedule H regarding incorporating the community benefit standard which is actually the legal requirement for tax exemption into the form. At the moment, it appears the IRS is formulating a new numerical standard which can not be supported by precedential authority.

Schedule H, Part I, Column (a) – The instructions indicate this is for the items in “Other Benefits” but the boxes in the top part of the chart are not shaded. This is going to be an estimate at best for whichever of the lines it is required. In addition, the count would have to be on an “as completed” basis where the financial numbers are on an accrual basis, and thus the two may not match well. Further discussion on how to count these needs to be provided. Is a series of programs one program or multiple? If an entity has five “schools” is that five activities or one? Another question that arose is whether Medicaid is one program or should each state program be counted as a separate program, or could each state have multiple programs?

Schedule H, Part I – There should be a line for reporting community benefit operations not aimed directly at healthcare.

Schedule H, Part I – There has been considerable discussion about whether there should be two methods allowed for calculating the cost-to-charge ratio. Although the comparability factor would be improved somewhat by limiting this to one method, this would require those with more accurate methods to submit less accurate numbers as you would come down to the lowest common denominator. It would certainly be reasonable to require an indication of which method was used.

*Schedule H, Part I, Worksheet 1 & 7 – There should be explicit instructions regarding what revenue must be considered as offsetting charity care and or research. On one end of the spectrum are donations restricted by the donor to be used for charity care. On the other end of the spectrum, the net income from insured patients and investments offsets charity care or is used for research as the money has to come from somewhere. Please clarify where on the spectrum the organization should land. One comment said that amounts from affiliates should not be counted, but what if an affiliated foundation raises funds specifically to offset charity care. That doesn't seem consistent with what is being asked. Additionally, part of the advantage of being tax-exempt is the ability to bring in charitable donations to assist with some of these items. An organization should not be penalized because it is doing a good job of advocating on the behalf of its charitable population and purposes.

*Schedule H, Part I – **Medicare shortfall should definitely be included.** The money that goes to cover the shortfall in Medicare reimbursement is money that could have been used for charity care. With our aging population, it can only be expected that Medicare reimbursement will continue to fall farther and farther behind costs, which will continue to eat into the pool of dollars available for charity care.

Schedule H, Part I, Line 9 – References Worksheet 8 which is not included.

Schedule H, Part I, Line 11, Columns (c), (d), and (e) – These totals should be presented on page 1 of the core form. It is important that all three numbers be presented, not just the net.

*Schedule H, Part I, Line 12 – There should be the ability to attach a community benefit report to the return. If this information is so important, the entities should be allowed to provide it in a format that best explains what they do. This should be in addition to providing the information on the form, but it should still be able to be included.

Schedule H, Part I, Line 12 – It should be noted on the form that it is not required to prepare an annual community benefit report and it is not required to make it public. Having it as a question on the form implies that it is a requirement (which is why the form should only inquire about those things that are required or the questions on the form will lose their impact).

Schedule H, Part I, Line 13b – If the enumerated items are important, they should be included with checkboxes in addition to the verbal explanation.

*Schedule H, Part II – This part should not be included at all. It does not elicit information necessary to maintaining exempt status, is burdensome to complete, and in fact discloses information which could harm the ability of an organization to negotiate effectively with insurance companies.

Schedule H, Part II – If this part remains, the line descriptions and instructions need to be changed to reflect industry practice and language and to better describe what is sought. For instance “fees collected” with respect to the charges on Line 1 would be impossible to trace. Entities likely have the “fees collected” for the category, but they would likely relate in part to amounts provided on Line 1 in a prior year.

Schedule H, Part II, Column (c) – Patients from out of state who are covered by Medicaid may be listed as self-pay when the entity does not participate in the other state’s Medicaid program.

Schedule H, Part II, Line 2 – Does this include an “allowance for doubtful accounts”?

Schedule H, Part II, Line 3 – Is this intended to be net billed? Should it be the difference between Line 1 and Line 2?

Schedule H, Part II, Line 4 – Is this intended to be Line 3 less bad debt expense? Is it anticipated that this will be on a cash basis?

Schedule H, Part II, Line 5 – Why does it matter whether the definition used is required for state reporting purposes? It is also not clear if the information sought is the calculation of bad debt or the classification of bad debt as compared to charity care. Would a description saying that bad debt is calculated according to GAAP be sufficient?

Schedule H, Part II, Line 6a – Again, it should be noted on the face of the form that this is not required. Also, consider including this in Part III of the core form where the other policy questions are.

*Schedule H, Part III – This part does not belong on Schedule H. In fact, it should be part of the core form, if included at all, as it should apply to more than just hospitals.

Schedule H, Part III – The instructions should clarify that if the physicians are organized as a tax-exempt entity then their ownership should not be counted in Column (d) or (e). For instance, a tax-exempt hospital and a tax-exempt clinic are partners in a joint venture. Since the tax-exempt clinic is subject to the same constraints as the tax-exempt clinic, there should be no need to disclose. Alternatively, ownership by a tax-exempt clinic entity should not be treated as ownership by the physicians themselves.

Schedule H, Part IV – Consider a question asking what the organization considers its “community” to be. Some organization may refer to a city, part of a city, a region, the nation, or even an international group of patients, or may refer to a particular disease state or other attribute (e.g., transplant patients in the U.S., diabetics in a 5-state area, patients from a certain suburb in a metropolitan area).

Schedule H, Part IV, Line 3 – Consider adding checkbox list of items such as:

- Do you operate an emergency room? If not, explain why. (Note: What about multiple facilities in one entity where some operate an emergency room and others don't)
- Is it open 24 hours a day, seven days a week? If not, explain your hours of operations?
- Is it open to all with ability to pay?
- Any other questions that would be useful.

Schedule H, Part IV, Line 4 – Please provide some discussion of what is expected for this line.

Schedule H, Part IV – There should be room to provide verbal descriptions, and possibly quantifications in terms of hours, persons served, or dollars spent, for various community benefit programs.

Schedule H, Part V, Column (B) – Consider providing categories (of course with an “Other” and a blank). This could include such classifications as critical access hospital, nursing home, psychiatric facility, rehabilitation facility, etc.

SCHEDULE I

*Schedule I, Part I, Line 2a – The organization may not know this information. For instance, a organization may make a grant to the local Lions Club for an eyeglass drive and one of its officers may be a member of the Lions Club. The officer may not realize that the organization gave to the Lions Club (for instance in a large hospital organization, community philanthropy may be handled by a separate department). The entity probably does not know all of the community memberships of its officers, directors, and trustees. Gathering this information will be burdensome. A reasonable question would be whether any member of the selection committee was a member of any recipient organizations. Also, to repeat earlier comments, there should be a suggested format for gathering this information along with all the other myriad of relationship information that is needed from officers, directors, key employees, etc.

Schedule I, Part I, Line 2b, Column (ii) – It is not clear which relationship is requested here? Is it the relationship to the tax-exempt organization making the grant or the relationship to the recipient of the grant? If this information is going to be collected, both are probably relevant.

Schedule I, Part I, Line 2 – There should be an opportunity to explain safeguards or a question such as “Was this person involved in the decision to award this grant?”

Schedule I, Part II – The face of the form should indicate not to include any grants disclosed on Schedule R.

Schedule I, Part II – The organization may not know the EIN of the organization or the code section under which they are exempt. If the funds are used for a charitable purpose, it doesn't matter. There will need to be a way to e-file without this information.

Schedule I, Part II – The de minimis amount should be \$5,000 or 2% of expenses, whichever is greater in order to make the volume of information reported relevant to the size of the organization.

Schedule I, Part I & III – There should be a de minimis amount for these two schedules as well.

SCHEDULE J

If this level of detail is going to be required, it is appropriate that there is a threshold that must be met before having to file Schedule J.

Schedule J, Line 1 – the nature of the two lines for each line is not apparent (i.e. one for amounts paid by entity and one for amounts paid by related organizations).

Schedule J, Line 1, Column (B) – Payroll systems do not always differentiate between these various forms of pay.

*Schedule J, Line 1, Column (C) & (G) – Since Column (G) asks for a Y/N regarding supplemental nonqualified retirement plans, does that mean they should not be included in the calculation for Column (C)? Instructions should clarify.

*Schedule J, Line 1, Column (E) – This information is not readily available and will be very time-consuming to amass, if even possible. Payments made to the employee are readily identifiable, but not necessarily payments made on their behalf (i.e. dues, payments made directly to hotels, airlines, restaurants, educational institutions). Additionally, some such payments may be made for groups of individuals with breakdowns not readily available. At any rate, the data collection for this piece will be a very manual process and with over 300 individuals who have compensation disclosed on Form 990 out of over 50,000 employees, a manual process is very burdensome.

Schedule J, Line 1, Column (E) – If this column must remain, then it should have a de minimis threshold (i.e. \$5,000 or 5% of taxable compensation).

Schedule J, Line 1 – There should be a chart included regarding which individuals must be reported such as referenced above for Form 990, Part II, Section A.

*Schedule J, Line 1, Column (B) – There should be a column for nonqualified deferred compensation payouts that would have been previously reported in Column (C) in order to highlight the double reporting aspect of this issue.

*Schedule J, Line 1, Column (C) – Information (even estimates) regarding earnings or increases in actuarial value may not be readily available by individual participant.

Schedule J, Line 1, Column (C) – The instructions state that incentive compensation “is treated as earned in the year that the relevant specified performance criteria” is satisfied. Often incentive calculations and payments are made after the end of a year when various performance criteria are calculated. The criteria would have been satisfied at the end of the prior year. The instructions should clarify with an example how this should be reported and make provisions to avoid double counting the amounts.

Schedule J, Line 3 – There should be an opportunity to provide an explanation on this line.

Schedule J, Line 4 & 5 – More information and examples should be included of what is required on these lines. If general performance criteria of the organization includes financial criteria and this is part of the criteria for earning a bonus, is that “based in part” on the revenues of the organization?

Schedule J, Line 2 through 7 – It is not clear why these questions should be limited to more highly compensated individuals. If the questions must remain, they should be part of the core form so all organizations have to answer them.

Schedule J, Line 7 – Presumably if any of the listed personnel were hired in the reporting year, this box would be marked yes as they would be subject to the initial contract exception. Consider changing the wording to “do you intend to rely on the initial contract exception. . .”

SCHEDULE K

*Transition relief is absolutely essential for this schedule. Even organization in full compliance with tax-exempt bond requirements may have difficulty presenting the information in this schedule in the manner required. An organization that knows it has private business use so small that it does not even approach 0.5% may none the less not have the required information regarding all of its research and management contracts.

As mentioned earlier, the instructions should clarify how to report bonds that may have been expended by more than one entity and how to calculate percentages (i.e. percentages of the entire issue or the part attributable to the particular entity).

Schedule K, Part I – Instruction indicate that this part need only be completed for bond issues with more than \$100,000 in outstanding principal amount. This threshold should be indicated on the face of the form.

Schedule K, Part I, Column (g) – If the proceeds were used for multiple projects, is the first or last placed in service date the one that should be indicated.

Schedule K, Part III, Line 2b & 3b – What if there are multiple contracts, some of which meet the safe harbor and some that do not?

Schedule K, Part III, Line 4 – Is this line intended to inquire about all management and research contracts or only those creating private business use? It is difficult enough to track contracts causing private business use, much less those that do not.

Schedule K, Part III, Line 5a – It seems like it would be better to ask if there was any private business use other than that listed above.

Schedule K, Part III, Line 5b – What information is to be gleaned from the “highest percentage of use”? A high percentage of use for a short period of time might be less problematic than a more moderate level for a long period of time. If the question remains, it should probably read “percentage of such use”?

Schedule K, Part III – Rather than trying to break private business use down into these categories, which is not required by law, consider asking for current year private business use and cumulative amount, both expressed as a percent. This could be in a tabular format including issuance costs, research, management contracts, and other breakouts if absolutely essential.

Schedule K, Part IV – Title of part should probably indicate “Compensation of third parties with respect to issuance of tax-exempt bonds (List only those receiving greater than \$10,000 in compensation)” or something to that effect. Both the nature of who should be listed and the threshold should be on the face of the form.

SCHEDULE M

Consideration should be given to combining this with Schedule B or Schedule G.

Schedule M, Part I, Line 28a – There should be an “N/A” box.

Schedule M, Part I, Column (c) – Should include codes or checkboxes for common methods.

Schedule M, Part I – Some items received via trust and estates may be a mixture of items. Also, how should pledge payments be treated when received in a year other than when the revenue was recognized on the books.

Schedule M, Part I, Line 29 – Might consider wording the question “any property that the donor is requiring you to hold for at least three years. . .” Current wording makes it sound like there is a tax requirement to hold some property for greater than three years.

SCHEDULE N

Schedule N, Part I, Line 4 – This could require the taxpayer to disclose information that the IRS can only disclose on a redacted basis, including redaction of taxpayer identity. The disclosure requirements shouldn't be circumvented in this manner.

SCHEDULE R

*Transition relief for this schedule is needed. Mayo Clinic is a system of more than 80 entities with intercompany transactions numbering greater than 10,000 per month. Even with grouping these in categories, for the larger entities that provide central services, complete disclosure on this form could include 500 lines or more.

*Entities that are controlling organizations, but whose controlled organizations do not have any taxable or unrelated business income, should not be required to disclose intercompany transactions. This would eliminate many of the transactions between two entirely exempt

entities. Currently, referencing only the definition of “control” in IRC § 512(b)(13) without the rest of the exceptions therein, result in overboard disclosure.

The definitions on this schedule should be included in the glossary.

Exception in instructions related to disregarded entities should be more apparent on the face of the form. Also, it should clarify whether it is referring to disregarded entities of the reporting organization or also of related organizations.

The instructions should be clear about the application of attribution rules to the definition of control.

Schedule R, Part II - The instructions include “supporting organizations” as related to the supported organization. However, the supported organization may not know that the supporting organization exists.

Schedule R, Part IV - Does each individual entity in a taxable consolidated group need to be shown or can consolidated information be presented?

Schedule R, Part I & II, Column (G) and Part III & IV, Column (D) – Instructions should indicate how to report in this column if multiple entities in a controlled group own the corporation (for instance a partnership where all three partners are related to each other).

*Schedule R, Part III – Requiring information from partnership tax returns can cause delays in filing the Form 990 until after the partnership returns are completed.

*Schedule R, Part IV – Requiring that information from the taxable entity’s tax return be used delays filing of the return until the taxable returns are completed. Also, separate company information can be difficult to calculate for companies filed as part of a consolidated return.

Schedule R, Part V – The threshold of \$5,000 is good, but it could be improved by making it \$5,000 or 2% of expenses or something of that nature. In a large healthcare system, intercompany transactions can number in the hundreds of thousands.

Schedule R, Part V – The threshold should be indicated on the face of the form.

Schedule R, Part V, Line 1 – The instructions indicate to disregard transactions between two 501(c)(3) organizations. Would recommend indicating this on the face of the form.

*Schedule R, Part V – Instructions should indicate whether actual funds have to transfer or whether creation of an intercompany payable or receivable is sufficient to be a transfer. For instance if services are provided but the funds were not actually transferred and instead an intercompany receivable was booked, should that be included in the totals. Also, would the later payment of the amount be another transaction which would have to be reported?

Schedule R, Part V – Header indicates that this is also for transactions with “Noncharitable Exempt Organizations” similar to what was asked on the old Schedule A, page 6. The instructions do not discuss this facet at all.

CONCLUSION

I sincerely look forward to the opportunity to review the next draft of this return as there are many opportunities to improve both the information collected and the practical process of completing and reviewing the form. It is critical that you consult with people who work with Form 990 on a day-to-day, not just on a theory or principle basis, but who actually put numbers in boxes. Every effort to streamline the form will be rewarded with greater compliance and consistency.

It is imperative that this design process be given the time it needs to produce a product that will achieve the laudable goals the IRS has set forth.

I would be happy to participate in any processes the IRS might have to solicit such practical input, as I know many of my colleagues would. It would behoove the IRS to take advantage of such assistance, as the implementation process will go that much smoother.

If you have any questions, feel free to call me at (507) 284-4571.

Sincerely,

Christie Lohkamp, J.D.
Director, Corporate Tax
Mayo Clinic and affiliates

From: [Harlene Issa](#)
To: [*TE/GE-EO-F990-Revision;](#)
CC:
Subject: Comments on Draft Redesigned Form 990 and Schedules
Date: Friday, September 14, 2007 4:37:56 PM
Attachments: [IRS Redesigned Form 990 Comments.pdf](#)

Attached are the Adventist Health comments on the draft redesigned Form 990 and Schedules.

The *August 27, 2007* issue of *Modern Healthcare* contained a short story about a study done by PricewaterhouseCoopers and the California HealthCare Foundation. The study reported that Medicare net revenue for California hospitals dropped to 74% from 87% during the years 2001-2005. Medicare reimbursement no longer covers the average daily cost of care. The study supports our position that Medicare shortfalls are appropriately included as a component of the community benefit provided by our member hospitals.

We thank you for the opportunity to respond to this substantial redesign effort.

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September 14, 2007

Internal Revenue Service
Form 990 Redesign, SE:T:EO
1111 Constitution Avenue, NW
Washington, DC 20224

RE: Comments on Redesigned Form 990

As a health care system of hospitals, home care agencies and multiple clinics, Adventist Health appreciates the IRS' effort to redesign the Form 990. We also welcome the **opportunity** to provide input and state our concerns. Our letter is structured to provide qualitative, broad-based feedback first, followed by line-specific recommendations.

Narration needed: We understand that the IRS' goal is to have one form that works for every exempt organization in the United States. **That** goal is laudable; however, a system the size and scope of ours cannot adequately document our efforts to meet community needs with a boilerplate form. Organizations with service as their mission can better represent their efforts to the public with the addition of narrative as opposed to numbers alone. We encourage more flexibility for the inclusion of that explanation.

Duplication of effort: To capture the proposed information will require **significant** effort as thousands of organizations retool to compile data for the redesigned form. The process that would be required to accurately and adequately complete the new Form 990 would be complex, time-consuming and labor-intensive. As health care providers, we are working within the constraints of state legislative and regulated mandates for our accounting and reporting requirements. This is a highly monitored industry, reporting data in many different ways to various governmental bodies. The redesigned form is significantly different than the current form, rendering today's tools obsolete. To maintain a record-keeping system for the sole purpose of Form 990 reporting will be burdensome and consume precious limited resources.

Modify reporting thresholds: We request that reporting thresholds be set higher for larger organizations and that the thresholds be developed using percentages of gross revenues, expenses, net income, or other appropriate figures. Dollar thresholds as currently suggested on parts of the return have little relevance to setting reporting standards when organizations are annually operating in the multiples of millions of dollars. The goal of meaningful reporting requires that the minutiae be avoided. The IRS' intended **outcome** will have less impact without some modification.

One size doesn't fit all: The redesigned form appears to be one-stop shopping for any possible use by the public. The Form 990 cannot be designed to meet all the needs of all the users for all exempt activity that exists. The form becomes too inefficient and the result diluted. The proposed form is not going to allow the average citizen to understand the not-for-profit organization any better. The information provided to the general public must be easily understood, conveying how the reporting organization has fulfilled its exempt purposes.

Core 990

Heading, Item F -

The glossary should expand the definition of the principal officer to include an example, such as the CEO or President. The definition may be expanded to reference the principal officer as that person given those responsibilities in the organization's Articles and Bylaws. Additionally, there is not enough space allotted for the name and a complete address.

Part I -

We encourage the IRS to adopt a summary page similar to the format suggested by another responder, Jody Blazek, in her August 23 submission. The format she proposes is concise and provides a quick overview of the organization's operations. Should her recommendations not be incorporated into the final return, we have provided our comments on the IRS' summary page below.

Line 6

The number of individuals receiving compensation in excess of \$100,000 is information that does not provide a Form 990 user with additional insight into an organization's exempt activities. That information is in Part II, and does not warrant being brought to the summary page. We recommend that this line be deleted from the summary page.

Line 7

To highlight the highest compensation amount from Part II is misleading and potentially inflammatory. Many factors are considered in developing a compensation package. When the reporting of nonqualified deferred compensation occurs as it is accrued, compensation can have large increases in any given year for any single individual. The user of the summary page would not have a complete explanation of this particular **amount** and should be referred to the organization's explanation of the compensation package. We recommend that this line be deleted from the summary page.

Line 8

Officer, director, trustee, and other key employee compensation likely is not being reported on Part V, line 5, column (B), but rather under **column (C)** if the instructions for Part V are followed. If this group of individuals receives their compensation from another entity, and the organization does not capture those costs as its own

expense, the data would not be comparable to other like organizations that pay this group directly or capture the costs as compensation. The percent is **meaningless** without standardized accounting practices. We recommend that this line be deleted from the summary page.

Line 19b

The percentage of contributions to fundraising expenses is not particularly meaningful in any organization that receives grants or holds special event activities. The grants are likely to be large in relationship to the costs associated with obtaining them. The accounting for these efforts is not easily segregated from other operational expenses because the person preparing a grant application may have many other responsibilities. As to special event activities, the event tickets cover expenses of the event and only a portion is classified as contributions. There are many excellent sources for donors to use to an **organization** is being a good steward in its use of funds. However, if the ratio remains as part of the core form, using total related contributions to fundraising expenses is more relevant.

Line 24

Total expenses as a percent of net assets is not a number that has a known application in our industry. The health care industry must maintain net assets to provide for future growth including the replacement of plant and equipment.

Lines 25 and 26

The table summary of gaming and fundraising activity does not add clarity to the organization's reporting. In fact, it is cluttered and not easy to read. The information being requested would require us to make significant changes in how we capture and account for this type of activity.

Part II –

See comments for Schedule J.

Section A – Column (A) asks for the city and state of residence for the individual whose compensation is being reported. We have grave concerns about this disclosure, which has no public purpose. The persons listed may become vulnerable to harassment by individuals who perceive a wrong either to themselves or collectively, to a larger group. Individuals of this **mindset** have been known to act **violently** against employers or others with whom they differ. Creating **such** a liability to an officer or the officer's family is inappropriate and a deterrent to serve a not-for-profit. We strongly recommend that the reporting organization be allowed to use the business address in lieu of the residence address, if any address is required.

Section B –

Line 5

Adventist Health has made the conflict-of-interest policy an integral part of its accountability process, and agrees that disclosure is important. The reporting organization should be allowed to respond to the family and business relationship questions based on the reporting year's conflict-of-interest statement provided by the **officer**, director, trustee, or key employee. To track people who have left an

organization five years earlier would be difficult. Our directors are volunteers and former officers move on in their careers. We **question** how transparency is improved by the additional time-consuming effort to collect this information. We recommend that the look-back period be deleted from this series of questions.

Line 10a

Large reporting organizations would likely be using professional firms rather than individuals as independent contractors who would be reported here. Also, protecting individuals from harassment is important. Rather than a residence address, we recommend that the business address be used.

Part III –

We refer the IRS to Jody Blazek's response of August 7. She reflects many of our concerns with this section. We are providing our comments in addition to her statement, which we endorse.

Line 5

We question why **having** a written document retention and destruction policy is relevant to an organization's exempt status. Answering "no" to this question, could infer that a compliance issue has occurred. Would a member of the general public understand this? We recommend that this item be deleted.

Lines 7a-b

The IRS should provide a definition of an "affiliate." Affiliates may not be controlled by the **reporting** organization. We recommend definition of the type of organization to which these questions relate.

Line 8

The question **regarding** whether an independent accountant provides compilation, review or audit services may be a good indicator of oversight for the organization. However, many organizations do not engage independent accountants for these services. To answer "no" (by not checking any of the boxes) may be misinterpreted by the general public. **This** may lead to the erroneous assumption that the organization is not meeting a governmental requirement.

Line 10

The process of preparing and reviewing returns is very time intensive. The timing of completing returns and providing them for Board review may be difficult prior to filing deadlines. The Board may have selective interest in the contents of the return and may review those sections. However, the operational duties are delegated to the officers of the organization. We **question** the value of the Board's time to review the return in detail. A "no" response may infer nonstandard process and we believe this is not an appropriate conclusion. We recommend the question be eliminated.

Line 11

Most items on this list are not public documents. Again, by failing to check a box, the public may infer that an organization is not complying with a governmental mandate. This conclusion would be false and should be avoided.

Part IV –

Line 2a-b

Not all hospital and other health care **organizations** have the ability to track revenue by cash received. If the IRS wants Medicare and Medicaid figures, we suggest that the term be changed to "**Medicare/Medicaid Net Revenue.**" Net revenue reflects gross charges less contractual allowances. We also would like the IRS to clarify in the instructions that this line is to include net revenues for all Medicare and Medicaid beneficiaries under fee-for-service and managed care plans.

The instructions for line 2a state revenues are those received for medical services, including Medicare and Medicaid payments. The line description and line instructions are not correlated to each other. If the IRS wants revenues for medical services on line **2a**, the description should be "net patient service revenue."
(Reference AICPA Audit and Accounting Guide "Healthcare Organizations With Conforming Changes as of May 1, 2006.")

Fees and contracts from government agencies include Medicare and Medicaid payments. We believe line 2b should be rewritten to clearly reflect the intended breakdown of revenues received from government sources.

Part V –

Many of the expense categories selected for disclosure by the IRS have little relevance to **hospitals** and other health care organizations. The significant expenses would best be disclosed by following generally accepted accounting principles with an industry-specific format. We encourage the IRS to consider developing separate formats for segments of the *EO* world such as hospitals and educational institutions.

Line 11

If we interpret the instructions literally, only expenses that are incurred for services rendered by independent contractors would be reported in this area. Services provided by related parties would not be included as they are not independent contractors. For example, a large health care system allocates its corporate **office** expenses to the hospitals in the system. **These** costs would not be reported on line **11a**. We would appreciate clarification in the instructions that these expenses would not be included.

Line 14

We do not track all information technology costs separately. The burden to gather this data solely for Form 990 reporting is, from our vantage point, a poor use of limited resources. We have components of the costs associated with information technology in the balance sheet as well as the income statement. We encourage you to reconsider the value of this selective disclosure and either redefine it or delete this line.

Line 21

Please define an "affiliate."

Part VI –

Many lines in this section are being transferred **from** Schedule D. The instructions and line explanations could be better synchronized. The addition of Schedule D will result in our producing additional statements for Parts I through VI because there is inadequate space for the number of items to be reported. We understand that the IRS wants to **enhance** compliance, but we do not agree with this approach. It creates redundancies from the supporting statements to the Schedule D to the core form. We recommend keeping the current format that requires attachments.

Line 21

The instructions say to include tax-exempt bonds for which the **organization** has a direct or indirect liability. Under the financing structure of a Master Indenture, the system issues bonds in the name of the parent corporation. Certain members of the obligated group receive an allocation of the bond proceeds through an intercompany transfer. Other members of the obligated group receive no allocation. The parent and obligated members are jointly and severally obligated to repay the debt. Would each member of the obligated group be required to show the debt as tax-exempt bonds although 1) the loan agreement is with the parent, and 2) the individual member may not have any of the debt recorded on its general ledger? If so, this would result in redundancy with every member reporting the total bond amount. Please keep in mind that if the member is to report the tax-exempt bonds as its liability, a Schedule K would be required. This is burdensome. Please clarify this point in the instructions.

Lines 24 and 25

Our accounting records do not **accommodate** the reporting requested on these two lines. We question the need for this amount of detail and recommend one line for mortgages and notes payable.

Part VII –

Line 6a-d

Tax-exempt bonds may be issued under an arrangement whereby a parent organization serves as the issuing organization. The instructions should clarify who the IRS **deems** to be the reporting organization. We recommend that the reporting organization be the issuing organization.

(An affirmative response to Line 6 requires the completion of Schedule K. Please see our **comments** regarding Schedule K.)

Line 8a

A definition of "substantial" is needed. (See the American Hospital Association response of September 6 for additional feedback.)

Line 8c

The question seems to insinuate that there is a negative situation if the answer is "yes." The public would not understand the significance of the response. We recommend an explanation as to the purpose of this question.

Line 9

The instructions should include reference to Schedule H for the definition of hospital or medical care.

Part IX –

A definition or examples of "program services" would be useful. For instance, in the health care environment, would an acute care hospital be the program service or is the intent to detail the types of services within the acute care hospital?

Line 1

Our **system** recommends that this question be rewritten, as the question does not convey its intent in a simple way.

Line 2

This line is redundant as line 3 provides this information.

Line 3

Column (A) has an asterisk but there is nothing on the page to tie to that asterisk.

Schedule C

Part II-B –

Line 1

The additional reporting of dollar amounts required of 501(c)(3) organizations creates a burden. A threshold for insubstantial activity might be defined as a percent of total expenses. The better reporting alternative would be to quantify hours spent, number of contacts with governmental staff and elected officials, etc. Lines "h" and "i" seem to be redundant.

Line 2a

This question reads awkwardly and should be rewritten.

Schedule D

See discussion under Core 990 Part VI.

Part VII –

Although we have recommended that Part VII be eliminated, we want to comment on the inclusion of the text from the FIN 48 footnote in the audited financial statements. No relationship exists between an organization's exempt status and the footnotes in the audited financial statements. The purpose of this question appears to be a "raising of the bar" for exempt organizations and a disclosure that could trigger an audit. We find this requirement inequitable: those organizations which do not issue audited financial statements have no such disclosure to make, yet may have the same tax positions and potential liabilities for uncertain tax positions. Also, the information in the footnote will not provide the complete picture of the organization's

position, as the footnotes are only one portion of the audited financial statements. Such statements must be taken as a whole to fairly present the financial picture of the organization.

Part XII –

Data for the look-back periods may be difficult to compile in the first several years (if this section is implemented). We suggest that the current year be phased in with the first year the form is implemented and then each current year be added thereafter.

Part XIII –

We recommend that this section be retained in the Core 990 as part of the summary page as it is currently displayed.

Schedule G

Instructions for "Who Must File" need to be corrected to reference the correct line numbers.

Part I –

Line 1 a

The box for "grants from government or organizations" appears to be inappropriately included on this schedule. Grant monies received are not reported on Form 990, Part IV, Line 1a, but rather on Part IV, Lines 1e and f.

Line 1 b

We know that professional fundraisers are required to register in our states of operation. However, we have found that consultants who provide fundraising advice — but do not raise money directly on behalf of the organization — may not be registered. We recommend that the IRS provide clear definitions for "fundraising activities," "professional fundraisers," and "fundraising consultants."

Line 3

We recommend that the first sentence of the instructions be amplified by changing the wording. Our suggestion is: ***"List all states and jurisdictions in which the organization is conducting fundraising activities that require registration."***

Part II –

Line 2

Instructions for this line should be modified to clarify its intent. Eliminate the reference to Column (d) as the instructions apply to all columns. Consider this rewrite: ***"Enter the total amount . . . received by the organization, including the total fair market value of non-cash contributions received for the events. Non-cash contributions may include services and tangible personal property donated for auctions and similar additional fundraising activities conducted at the event. Do not include donations of services, free or substantially below FMV use of materials, equipment, or facilities that were for the promotion of and use at the event itself."***

Line 5

We request clarification as to whether the fair market value of non-cash donations as described in line 2 would be included as part of the non-cash prizes. The word "awarded" in place of "paid" in the instructions would better describe what occurs.

Line 6

The instructions say, "*Enter the expenses paid or incurred . . .*" Does incurred mean "accrued?" We would expect that free use of space would not be included here. Clarification would be helpful.

Part III -

We request clarification for gaming activities such as raffles and games of skill conducted at special events. The prizes may be of more than insubstantial value. We interpret the instructions to mean that these activities would be reported in Part III and not in Part II. We are concerned about this distinction, because our accounting for special events includes the costs and revenues of the gaming activities. This item is significant, requiring us to make process changes to capture this information separately.

Lines 3 and 4

See comment for Part II, Lines 5 and 6.

Line 5

The instructions are not clear. The first paragraph seems to be saying labor costs would be reported using gross compensation paid plus the employer's share of taxes. Please rewrite the paragraph more definitively.

Line 9a

We recommend the following rewrite for this line. "*Did the organization obtain W-9s from prize winners of reportable gaming winnings?*" We do not understand the reference to vendors on this line or line 9b. Please define.

Line 13

Add the banner that 501(c)(7), 501(c)(8), 501(c)(9) and 501(c)(19) organizations are to respond to this question.

Schedule H

Our hospitals have previously expressed our collective position that community benefit should include the costs of Medicare shortfalls and patient bad debts. This is care that is provided to the community for which our hospitals are not compensated. The provision of the health care contributes to better community health status.

AHA has sent an extensive response dated August 21 to the proposed Schedule H that reflects many of our concerns about the information requested and the omission of key components. While we endorse the association's feedback, we have several additional comments to make:

Part I –

The summary worksheet the IRS has adapted from Catholic Health Association includes columns (a) and (b) asking for numbers of activities or programs and persons served. Our experience has been that capturing this information is impossible with our existing financial software. Additionally, many of the categories do not lend themselves to these statistics. We recommend that these two columns be eliminated. Column (d) should be labeled "Reimbursement and other support."

Part II –

Delete as AHA has recommended.

Part III –

Consolidate with the core form and Schedule R as AHA has addressed.

Part V –

The list of facilities is extensive. We do not see the value in providing this detail because

- 1) the general public in our service areas can access information for health care from local resources more easily than obtaining the information from this return,
 - 2) physical locations change fairly regularly, and
 - 3) there is no exempt purpose requirement to be met by including the information.
- We encourage the IRS to delete this part.

Worksheets –

Worksheet 1 would be easier to use and understand if the format were changed
Worksheet 2 has an extra line next to item **1**, which is a heading. Also definitions would be useful. For instance, Medicaid taxes may be collected and then reallocated to the providers in the state. How does that impact the calculations?
Worksheet 3 should utilize the cost-to-charge ratio from Worksheet 2.
Worksheet 8 is missing.

Schedule J

This schedule is imposing significant changes in the way compensation is reported. Comparisons between similar organizations will be much simpler than in the past, which would be a positive outcome. The concern we have is that this schedule does not allow for an explanation of the compensation package provided to each person disclosed on this schedule. Please modify the schedule so that such explanation can be easily included in the electronic filing of the return.

We will have to undertake significant retooling to compile the information in the format being requested on this schedule. We have incurred hundreds of hours to provide complete reporting in past years, and to restructure our system will take many more hours. Our concern is that our internal resources are limited, and first year implementation of the redesigned form is going to be very burdensome. We would urge implementing such significant changes in rollout time lines that are more

easily manageable. We suggest that this schedule be delayed another year or two beyond the core return.

The instructions for this schedule are not easy to understand. Because the IRS has asked for comments primarily on the forms at this time, we have not focused as much on the instructions. We request another comment period during which we may provide detailed responses to the instructions. The importance of clarity cannot be over emphasized for this schedule and we would like to bring our experience in reporting compensation into the process.

Line 1

Reference to Form 990, Part III should be to Form 990, Part II.

The inconsistency and redundancy between this schedule and Form 990, Part II becomes more apparent as the two tables are studied. These two tables combined would present a complete compensation disclosure. Lines 2-7 should be combined with the questions on Form 990, Part II, Section B. The information would be easier to read and understand if it were presented in one place. The change would contribute to the IRS' goal of simplification. Large organizations (and many small EOs with large boards) are not going to be able to provide a **complete** list of the persons required to be listed on the forms as they are designed. Supplemental statements will be necessary. With electronic filing being mandated for many EOs, having all the information on one table makes sense for the IRS, tax software vendors, preparers, and users of the return. We recommend more time to allow comments for this design issue to be addressed.

Column (E)

Nontaxable expense reimbursements historically have not been a required disclosure on Form 990. The reporting of business expense reimbursements under an accountable plan, in our opinion, would be unnecessary as these expenses are paid as ordinary and necessary business expenses. The amounts paid may be substantial, but reporting does not add transparency. Rather it simply reflects the individual paid for business expenses that were reimbursed. The individual has no personal financial gain from the reimbursements. In fact, the toll on the person is likely immense as these expenses are primarily related to travel on behalf of the exempt organization. We recommend that this column be deleted.

Schedule K

We refer you to the American Hospital Association (AHA) response of September 6. The AHA letter addresses burden, but we would like to add that the quantity of material being requested is phenomenal. We embrace the AHA's call for delayed implementation of this schedule. We also echo their comments on the schedule itself.

Part I –

The amount of information being requested will be voluminous. Another concern we have is the redundancy of providing this information on multiple returns. (See our comment on Form 990, Part VI, Line 21.) Additionally, why would the IRS need the same information every year for previously issued debt? Once the information is provided, the data should be housed electronically without the need to be repetitive. We see this as the IRS' attempt to gather more information about tax-exempt bond financings, but see little value to the public. Another observation is that the form will not accommodate reporting for multiple projects with many "placed in service" dates for the proceeds of a single offering. Additional supporting statements will be needed. With the spillover, the balance sheet should be the place where the attachment is required with the format specified in the instructions.

Part II –

Line 8

Working capital expenditures are not defined in the instructions.

Line 11

Temporary period exceptions might be up to 36 months, so we would not know the answer to this question for bonds issued during the tax year being reported.

Part III –

Format does not accommodate multiple projects at multiple organizations for proceeds from a single bond issued on behalf of a system.

Line 5a-b

This information will be burdensome to compile. We suggest establishing a threshold for this line.

Part IV –

The instructions are unclear. Is the information to be provided only for those bonds issued during the tax year, or for all bonds outstanding during the tax year? Variable rate debt has annual costs such as credit enhancement fees and remarketing fees. Are these fees to be reported here?

The instructions have not defined "formal process" as used in the column heading "Selected through formal process." Please explain this phrase.

Schedule L

This schedule and several others use the term "highly compensated employees." This appears to be an error as the reference is back to Form 990, Part II and VI, which use the term "highest compensated employees." The IRS defines a "highly compensated employee" for employee benefits discrimination testing. The use of this word would sweep in dozens of employees. We do not believe that is the intent of the IRS. Please replace the word "highly" with "highest" throughout the return and its schedules.

Schedule M

All the information requested on this schedule can be incorporated in Schedule B. Some of the same information is already on Schedule B in a different format. Merge the two schedules and delete Schedule M. This will assist the IRS is achieving its stated goal of simplification with the 990-redesign project.

Schedule R

Part II –

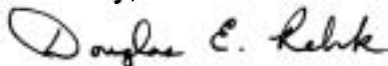
For integrated health care systems, the list will be long. Again, the IRS' attempt to move away from attachments will be thwarted. There is likely a similar need for using attachments on Parts I, III, and IV as well. We recommend deleting these parts and providing the formats in the instructions.

Part V –

We want to emphatically agree with the comments submitted by Mindy Hatton on behalf of AHA and its members. We will have hundreds, if not thousands, of transactions to report as a system if the requirements for Part V are retained as currently written. We do not believe Congress had any intention that the disclosures required by the 2006 Pension Protection Act (PPA) become such a behemoth. The IRC §6033(h) is addressing unrelated business income transactions between controlling and controlled organizations. Expanding this schedule to broaden that requirement to all related organizations goes beyond those types of transactions. The current Form 990, Schedule A excludes transactions with other 501(c)(3) organizations. We urge the IRS to retain Part VII of the current Schedule A and prepare a separate table for gathering the information requested by Congress in the PPA.

In conclusion, we again want to express our appreciation for the opportunity to respond and thank the IRS in advance for its careful consideration of our feedback. We would be grateful for a second comment period after the IRS considers the body of work done by the many industries and not-for-profit organizations impacted by the redesigned 990. Should there be any questions or clarifications Adventist Health can provide, please contact Harlene Issa, Senior Analyst – Tax and Financial Reporting at 916-781-4651 on behalf of its member hospitals cited below.

Sincerely,

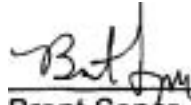


Douglas E. Rebok
Senior Vice President & CFO

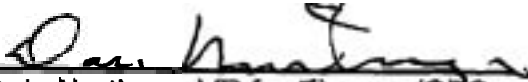
See next page for additional signatures



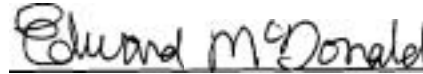
Mark Perry, VP, Finance
Adventist Medical Center-Portland



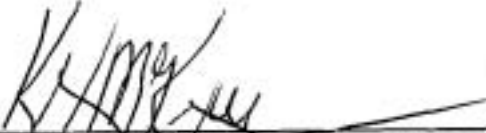
Brent Soper, VP, Finance
San Joaquin Community Hospital



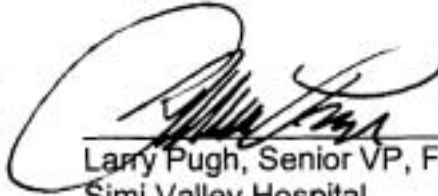
Dale Northrop, VP for Finance/CFO
Castle Medical Center



Edward McDonald, Sr. VP, Finance
St. Helena Hospital



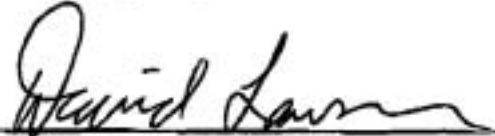
Kirby McKague, Vice President/CFO
Central Valley General Hospital
Hanford Community Medical Center



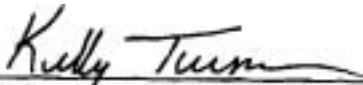
Larry Pugh, Senior VP, Finance
Simi Valley Hospital



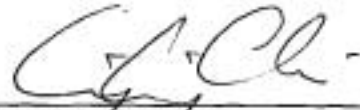
Dan Gordon, Vice President/CFO
Feather River Hospital



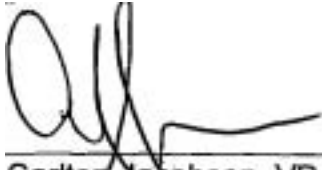
David Larsen, Senior VP, Finance
Sonora Community Medical Center



Kelly Turner, Senior VP, Finance
Glendale Adventist Medical Center



Wing Choi, VP and CFO
South Coast Medical Center



Carlton Jacobson, VP, Finance
Howard Memorial Hospital



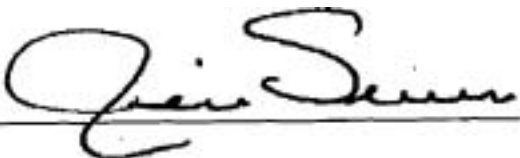
Walt Larson, VP, Finance/CFO
Tillamook County General Hospital



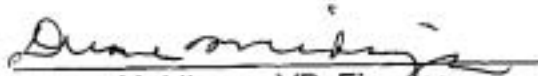
Lexi Fields, VP, Finance
North Hawaii Community Hospital



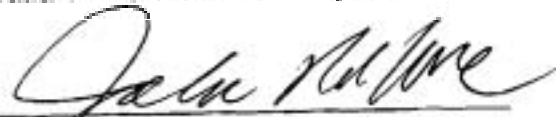
Cheryl
Ukiah Valley Medical Center



Jennifer Swenson, VP, Finance
Redbud Community Hospital



Duane Meidinger, VP, Finance
Walla Walla General Hospital



John Raffoul, Senior VP, Finance
Medical Center

From: [John Erwin](#)
To: [*TE/GE-EO-F990-Revision;](#)
CC:
Subject: COBTH Comments - Schedule H
Date: Friday, September 14, 2007 4:35:39 PM
Attachments: [COBTH Form 990 Comments PDF.pdf](#)

John Erwin, Executive Director
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September 7, 2007

Internal Revenue Service
Form 990 Redesign, SE:T:EO
111 Constitution Avenue, NW
Washington, DC 20224

RE: Comments on Schedule H

Dear Sir or Madam:

On behalf of our fourteen member hospitals, the Conference of Boston Teaching Hospitals (COBTH) appreciates the opportunity to submit comments on the IRS' draft Form 990. We applaud the efforts of the IRS to enhance transparency in the nonprofit community and to provide a better understanding of nonprofit operations. We also appreciate the work that the IRS staff has put into developing the new Form 990 and associated schedules and efforts to educate those impacted and solicit opinions through several conference calls since announcement of the draft form in June.

COBTH has serious concerns with the new Schedule H for hospitals, which we believe would be unduly burdensome, require information that is not necessary to promote compliance with tax-exempt standards, and is duplicative of information required in the core Form 990 and several other schedules. Our concerns center on Schedule H and the definition of community benefits, the timing of implementation of the new schedule and information that would impose a significant burden with little apparent value.

Schedule H, Part I – Community Benefits

Treatment of Medicare Shortfalls

We recommend that Medicare shortfalls be included in the calculation of community benefit. Just as the IRS has recommended that Medicaid shortfalls be included in the calculation of unreimbursed costs, it should also include losses due to Medicare underpayment in this calculation (Schedule H, Worksheet 3). COBTH member hospitals incur significant losses in the provision of care to Medicare patients and it is estimated that Medicare reimburses hospitals 92 cents for every dollar spent to care for a Medicare patient. Many Medicare patients are also low income or also eligible for Medicaid and providing care to Medicare patients relieves the government of having to provide that care directly. As proposed, the definition of community benefit in Schedule H is inconsistent when it includes Medicaid shortfall, but not Medicare. Medicare underpayments represent a real cost of serving the community and should be treated just as any other shortfall resulting from treating patients enrolled in government-sponsored programs.

Treatment of Bad Debt

We recommend that bad debt be included in the calculation of community benefit. Bad debt represents a significant amount of care provided to patients who most often do not have the ability to pay for their care. Hospitals invest significant resources in systems and staff training to assist patients that are in need of financial assistance. Here in Massachusetts, hospitals are working closely with the state agencies and other partners in the healthcare community to ensure that the low-income residents are aware of all available state subsidized health plans resulting from the state's recent health reform legislation. However, the fact remains that there will be those patients who do not avail themselves of available public programs or hospitals financial assistant programs. A 2006 Congressional Budget Office (CBO) report, *Nonprofit Hospitals and the Provision of Community Benefits*, cited two studies indicating that "the great majority of bad debt was attributable to patients with incomes below 200% of the federal poverty line." We agree with the CBO's conclusion that these findings support the inclusion of bad debt in measures of community benefit.

Schedule H, Part II, Section A – Billing Information

We recommend that the proposed chart on Schedule H, Part II related to billing should be eliminated. Because the information sought in this chart has no relationship to the community benefit standard, it does not appear to promote the IRS' goal of compliance. Neither does the new requirement promote the goal of minimizing administrative burden. Hospital billing operations are extremely complicated and data is not retained in the same discrete categories requested by the IRS. Collecting and sorting data to meet the chart's requirements would be immensely burdensome and of very little use. In addition, relevant information on revenue and sources is already captured in other parts of the Core Form 990 and Schedule H. For example, detailed information on charity care will be provided in Part I of Schedule H while information related to hospital revenues and Medicare and Medicaid payments will be included in Form 990.

Schedule H, Part III – Management Companies and Joint Ventures

We recommend that Part III of Schedule H be eliminated. As currently proposed, hospitals would be required to provide information on joint ventures three times in three different forms: Form 990, Schedule H and Schedule R. This redundancy does nothing to enhance transparency or minimize burden. If these questions are significant to the IRS, then they should not be confined to Schedule H and entire tax-exempt sector should be required to respond to them.

Timing of Implementation

We recommend a minimum two-year delay in the implementation of the new Form 990 and associated schedules. The IRS has indicated that the new Form 990 will be used for tax year 2008, meaning that organizations need to begin capturing the data required to complete the new Form and Schedule H beginning January 1, 2008. However, even if the revised Form 990 is adopted this fall, the IRS does not expect to issue the necessary instructions and worksheets until mid 2008, making it nearly impossible for impacted entities to reconfigure systems to collect and report information for the form.

While many hospitals throughout the country may use the Catholic Hospital Association's and VHA's *Guide for Planning and Reporting Community Benefit*, many others have no experience gathering data in the manner prescribed in the Guide. Here in Massachusetts, hospitals report community benefit activity and expenditures using guidelines and forms developed by the Massachusetts Attorney General.

We join the American Hospital Association in urging the IRS to delay implementation of the new Form 990 until at least tax year 2010. This time will allow hospitals to make the necessary changes to systems and train staff on collecting and reporting the data required by the new Form 990 and Schedule H.

We appreciate the opportunity to submit our comments, and we especially appreciate the IRS' efforts to reach out to the hospital community and better understand its concerns. We welcome the opportunity to help the IRS improve draft Schedule H. If you have any further questions, please contact me at (617) 723-6100 or _____

Sincerely,

A handwritten signature in black ink that reads "John Erwin". The signature is written in a cursive, flowing style.

John Erwin
Executive Director

From: [Long, Betty](#)
To: [*TE/GE-EO-F990-Revision;](#)
CC:
Subject: comments on Form 990 and related schedule
Date: Friday, September 14, 2007 4:30:37 PM
Attachments: [VHHA comment letter to IRS 8-07.doc](#)

This letter was initially submitted to the IRS on August 30 via email, but a recent message from our email administrator indicated that perhaps it was not received, so it is being transmitted again.

Betty Long
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Virginia Hospital & Healthcare Association
P.O. Box 31394
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(804) 965-1213 phone
(804) 965-0475 fax



August 30, 2007

By Electronic Filing

Internal Revenue Service
Form 990 Redesign, SE:T:EO
1111 Constitution Avenue, NW
Washington, DC 20224

RE: COMMENTS ON DRAFT SCHEDULE H

On behalf of the 104 hospitals in Virginia, thank you for the opportunity to provide comments on the proposed changes to the Form 990 and related Schedules announced by the Internal Revenue Service (IRS) in June. We also thank the IRS for its willingness to participate in conference calls held by the American Hospital Association (AHA) this summer to educate its members about the proposed revisions. The frank discussion helped to clarify many issues and provide a better understanding of the rationale for the proposed changes.

The comments contained in this letter address Schedule H specifically and are being submitted in advance of the September 14 deadline in response to the IRS' request that comments be submitted as early as possible. Comments related to the Form 990 and other Schedules may be submitted between now and the September 14 deadline.

As a general comment, the Virginia Hospital & Healthcare Association supports the thorough and reasoned assessment of Schedule H submitted by the AHA on August 21, 2007. We wish to add our emphasis to the key issues outlined below.

Extend the Filing Deadline to 2010

The IRS has acknowledged that the manner in which it is proposing to implement Schedule H is a departure from its normal process of field-testing new forms and conducting an administrative burden assessment in advance of changing its filing procedures. It should come as no surprise then that hospitals feel very strongly that it is not possible to meet the IRS' expectation that they will begin collecting data consistent with the new filing requirements as of January 1, 2008. There will be about three months between the time the IRS releases the final Schedule H and the date by which hospitals would have to alter their data collection and reporting systems, a timeframe that anyone would agree is simply unachievable. When combined with the fact that the related worksheets and instructions are not expected to be available until summer 2008, it is clear that the timetable for implementation has to be extended. If it is not extended, it is likely

that the IRS will receive, at best, incomplete information which will do nothing to advance its goal of increased transparency.

We concur with the AHA's recommendation that the IRS provide a second draft of Schedule H in 2008, followed by a review period, with a goal of finalizing the schedule and instructions by December 31, 2008. Then hospitals could revise their financial systems during 2009 and be able to capture the necessary information in time to submit it to the IRS for tax year 2010.

Make Schedule H Consistent with Community Benefit Standard

The legal basis for hospitals' tax-exempt status is the community benefit standard set forth in Revenue Ruling 69-545. This should be the standard for community benefit information required in Schedule H as well as the standard by which the IRS determines compliance. Specifically, Revenue Ruling 69-545 recognizes these factors as the pillars of the "community benefit" standard:

- operating an emergency room open to all regardless of ability to pay;
- having an independent board of trustees composed of representatives of the community;
- having an open medical staff policy with privileges available to all qualified physicians;
- providing care to all persons in the community able to pay either directly or through third-party payers; and
- utilizing surplus funds to improve the quality of patient care, expand facilities and advance medical training, education and research.

Since 1969, the IRS has applied the community benefit standard by looking at how its five pillars relate to the facts and circumstances of particular hospitals and their communities. This has allowed hospitals to identify the best ways to meet the unique needs of their communities, resulting in a wide range of community benefit activities that are likely more relevant and effective than what might have been developed under a "one size fits all" standard.

Include Medicare Underpayment in Community Benefit Definition

VHHA believes that the amount by which Medicare underpays each hospital should be counted as part of the community benefit it provides. In developing *Voluntary Guidelines for Reporting Community Benefit in Virginia*, the VHHA Board of Directors agreed that the amount of Medicare shortfall is a legitimate component of community benefit. The Board felt that Medicare shortfalls should be included because:

- Despite its past reputation for adequate payment, more recent data shows that the Medicare program is becoming an increasingly poor payer. In FY2006 Medicare paid Virginia's nonprofit hospitals \$339 million less than it cost them to provide care to Medicare beneficiaries.
- It does not accept the argument that Medicare losses may be associated with inefficiency, not underpayment. VHHA believes that all hospitals are making a

good faith effort to control costs, but in some instances certain costs are beyond their control. This may be due to the inability of small hospitals to benefit from certain economies of scale, and to the high cost, experienced by all hospitals, of incorporating medical advances and information technology into the delivery of care.

Failure to include the amount of Medicare shortfall in any community benefit calculation will lead to a material understatement of the value of community benefit being provided.

Include Bad Debt in Community Benefit Definition

Relying on charity care measures alone to accurately reflect the amount of free or discounted care to the low-income uninsured and underinsured can lead to understating the amount of such care provided. Bills for many low-income persons are often written off as bad debt because:

- Patients are not always willing to identify themselves at the time of admission or discharge as potentially eligible for charity care;
- Even patients who may initiate the charity care application process will not always provide the income or other data needed to determine eligibility for charity care; and
- Patients who might have qualified for medically indigent/catastrophic status did not seek it, so their unpaid bills are counted under bad debt.

For all of these reasons, unpaid bills for a patient who would otherwise have been classified as charity care end up being reflected in a hospital's bad debt category.

As AHA noted in its letter to the IRS, a 2006 Congressional Budget Office (CBO) report, *Nonprofit Hospitals and the Provision of Community Benefits*, cited two studies indicating that "the great majority of bad debt was attributable to patients with incomes below 200% of the federal poverty line." Anecdotal information from VHHA members is consistent with these findings.

We urge the IRS to adopt any reasonable method to recognize bad debt as a legitimate component of community benefit. In FY2005, the amount of bad debt (valued at cost) incurred by Virginia's nonprofit hospitals was more than \$286 million, and there is good reason to believe that at least half of that amount may be attributable to services provided to low-income patients. With the number of uninsured continuing to rise and the likelihood that high-deductible health plans will become more common, failure to include bad debt in the community benefit calculation will result in a substantial understatement of community benefit that is likely to worsen over time.

Include Community Building Activities as Quantifiable Community Benefit

The IRS should reconsider its decision to eliminate from its definition of community benefit the category identified as "community building" activities in the Catholic Hospital Association's (CHA) *A Guide for Planning and Reporting Community Benefit*. The types of activities CHA recommends counting include physical improvements and housing, locating services in economically disadvantaged areas, support for disaster preparedness beyond what is legally required and child care for

community residents. All of these activities contribute to the overall health of the community. They also reflect the extent to which communities have come to rely on hospitals for services and support even beyond what the Supreme Court recognized in 1976 when it acknowledged that hospitals had assumed a "larger community character" since the Nonprofit Institutions Act was passed in 1938.

Eliminate Questions Unrelated to Community Benefit

We agree with AHA that the proposed chart in Part II of Schedule H should be deleted. It does not meet any of the three objectives – enhancing transparency, promoting compliance or minimizing administrative burden -- that the IRS has said it is trying to achieve with the redesign of its tax-exempt filing requirements. Requiring hospitals to provide such billing and collection information bears no relationship to the community benefit standard, imposes substantial administrative burden on hospitals and also asks for information regarding insurance discounts that could be competitively sensitive.

Permit Live Links or Attachments as Part of Submittal

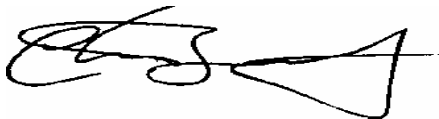
The amount of space allocated on Schedule H to provide information on community health needs, community benefit reports and charity care policies is limited. The IRS should permit either attachments or live links to a hospital's web site to enable hospitals to provide adequate information about these programs and policies.

Allow Aggregate or Individual Schedule H Filing

As proposed, Schedule H must be completed in the aggregate for all facilities/hospitals under a single EIN. Part IV Facility Information asks for each "facility" to be listed. Filers with multiple hospitals under a single EIN should have the option to complete Schedule H on either an aggregate basis or by completing it for each hospital included in the EIN.

Thank you for the opportunity to comment on the draft Schedule H and for the efforts the IRS has made to explain the thinking behind the proposed changes. On behalf of our members, VHHA would be happy to further assist the IRS in its efforts to develop new tax-exempt filing requirements that meet the stated goals of transparency, compliance and minimal administrative burden.

Sincerely,



Christopher S. Bailey
Senior Vice President