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AHP Government Relations Report
Timely updates on legislative and regulatory issues in the United States and Canada impacting nonprofit hospitals and health care philanthropy

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June 2010

United States

Legislature

House approves charitable giving incentives as a part of larger jobs-creation bill

The House May 28 passed the American Jobs, Closing Tax Loopholes, and Preventing Outsourcing Act of 2010 (H.R.4213), which includes extensions of the IRA rollover and several other charitable giving incentives through December 31, 2010. In the Senate's consideration of the bill the week June 10, Senator Charles Schumer (D-NY) proposed including a foundation excise tax provision. Schumer had bipartisan support for the proposal, which would repeal the current two-tiered excise tax system that requires foundations to pay a 2 percent tax on net investment income, falling to 1 percent in a year where charitable disbursements exceed the average payout rate of the previous five years. In lieu of the two-tiered excise tax system would be a flat rate of 1.39 percent.

Senate names conferees for financial overhaul bill

The Senate and House have both appointed their conferees to the joint conference to reconcile differences between the House and Senate financial overhaul bill. Following a year and a half of debate, House and Senate conferees met June 10 to begin conference negotiations over financial regulatory overhaul legislation. House Financial Services Chairman Barney Frank (D-MA) and Senate Banking Chairman Chris Dodd (D-CT) have pledged to complete work on the bill by the upcoming July 4 recess.

Agencies

IRS outlines new tax-exempt hospital requirements, asks for comments on financial assistance

The IRS on May 27 issued Notice 2010-39, regarding the new requirements for tax-exempt hospitals under the Patient Protection and Affordable Care Act. The IRS has asked for comments on the appropriate requirements for a community health needs assessment and what constitutes "reasonable efforts" to determine eligibility for assistance under a financial assistance policy. Comments are due by **July 22** and can be submitted by mail to Internal

Revenue Service, CC:PA:LPD:PR (Notice 2010-39), Room 5203, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044 or by e-mail.

AHP attends meeting held by advisory group on tax-exempt entities

AHP attended a public meeting June 9 hosted by the IRS Advisory Committee on Tax Exempt and Government Entities (ACT). The meeting discussed reports from the five ACT subgroups, including: executive compensation for charities, employee plans, the federal-state-local government compliance verification checklist for public employers, Federal Insurance Contributions Act taxes in Indian Country, tribal economic development bonds and tax-exempt bonds. Of relevance to AHP members was the Committee's recommendation to the IRS to adopt a web-based instructional guide on the compensation of tax-exempt and government employees. The proposed guide would provide step-by-step, plain language advice for managers, boards, and advisers of charities to help them on a wide variety of issues ranging from developing internal procedures and compensation comparables, reporting salary information on their Form 990 filings, to maintaining necessary records to meet the "rebuttable presumption" test.

Canada

Legislative

Charity Transparency Bill

The House of Commons passed on April 21 the Charity Transparency Bill (C-470) to amend the Income Tax Act to revoke the registration of a charitable organization, public foundation or private foundation if the annual compensation it pays to any single executive or employee exceeds $250,000. The bill will proceed to the Standing Committee on Finance. Once the Bill is considered at Committee, it will be reported back to the House of Commons for report stage and a third reading. AHP is currently collaborating with Imagine Canada and a coalition of other organizations to brief parliamentarians of the consequences of the legislation. For more information regarding the bill, including Frequently Asked Questions, visit the AHP Advocacy website.

CRA releases information regarding Budget 2010 changes for charities

On March 4, 2010, the Minister of Finance presented the 2010 Federal Budget, which proposed measures affecting registered charities. The proposed measures affects how registered charities with a fiscal period ending on or after March 4, 2010**,** fill out their annual Form T3010B. All affected charities will receive an insert about the changes in their T3010B information packages. The insert gives instructions on how certain lines in the financial information section of the return should be completed as a result of the proposed legislative changes. To help charities understand these proposed measures, the CRA has added a list of questions and answers to its web page Budget 2010 – Changes for charities.

Other updates to the CRA's Charities and Giving website include information on registration for the June 2010 Charities Information Webinars, a new webcast video about financial statements and books and records and an online version of the latest CRA newsletter for registered charities.

Sources: Independent Sector, Congressional Quarterly, Imagine Canada