



**Advancing Healthcare  
Crowe Healthcare Summit 2017**

# Healthcare Tax Risk Checkup

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Smart decisions. Lasting value.™

# Disclaimer

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*The information provided herein is educational in nature and is based on authorities that are subject to change. You should contact your tax adviser regarding application of the information provided to your specific facts and circumstances.*

# Session Goals

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- *What is on your priority list of tax issues to address in 2017-2018?*
  - Gain a greater understanding of issues faced by tax issues faced by health care organizations.
  - Discuss “real world” application and approaches taken by tax directors on tax matters and what keeps healthcare leaders up at night.
  - How Crowe’s “Tax Checkup” process can help.

# Crowe's National Tax Exempt Practice – By the Numbers

- **40+** Dedicated Tax Exempt Partners and Staff
- **600+** Full Service Tax Engagements



- **#1** Premier Tax Technology - C-TRAC Suite

- **Current C-TRAC Population**

- 7,500 K-1s managed through AIM representing \$70B capital
- 5,000 modules subscribed to
- 2,300 unique organizations

- **Higher Education**

- 12 of the top 30 endowments are C-TRAC Licensees
- 23 of the universities with endowments of greater than \$1B

- **Private Foundations**

- 3 of the top 35 endowments are C-TRAC users
- 10 of the top 100 PFs by assets size are C-TRAC users

- **Healthcare**

- 7 of the top 20 hospitals by size are C-TRAC licensees

# Healthcare and Tax Services

- Assist organizations in minimizing tax burdens and meeting state and federal requirements
- Full range of consulting and compliance services for federal, state, local, and international taxes
- Tax Risk Assessment and Planning
- Tax Consulting and Advisory
- Select Tax Technology Tools:
  - Crowe Tax Risk Assessment and Control (C-TRAC)
  - Crowe Information Request Tracker (CiRT)



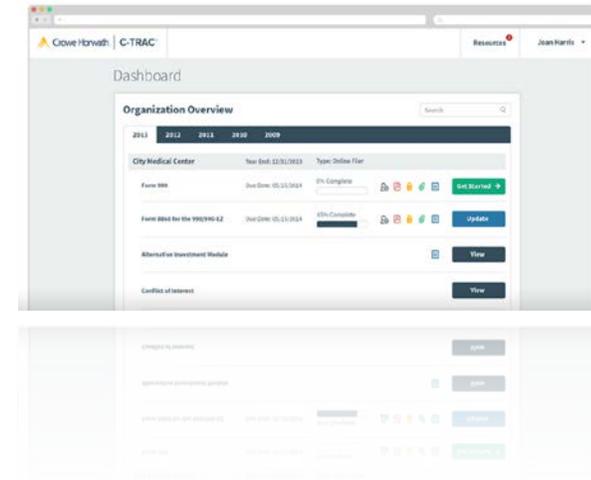
Learn more about Not-For-Profit Tax [here](#).

# C-TRAC Suite

- IRS approved, Web-based and easy to use
- Electronic filing of Forms 990 / 990-T and Extensions
- Automated conflict of interest questionnaires for streamlined communication
- Alternative investment module that aggregates K-1 data
- Master compensation module that simplifies reporting
- Master Schedule R to manage transfers between related organizations
- State module for streamlined reporting
- Benchmarking compares peer data across similar organizations

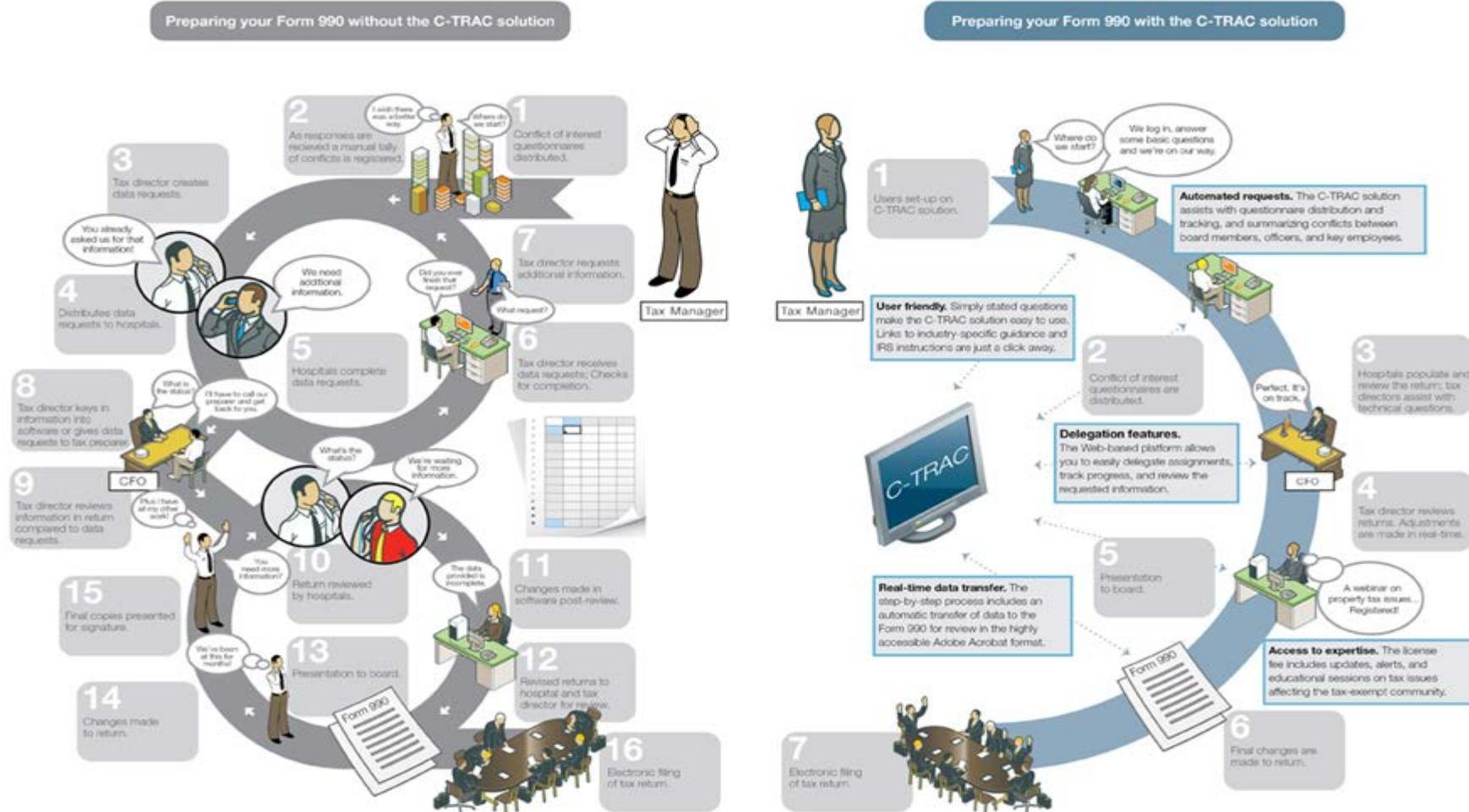
## C-TRAC®

The Only IRS-Approved Software  
Developed By Tax Exempt Specialists



Learn more about C-TRAC [here](#).

# Form 990 – With & Without C-TRAC





# Tax Topics for Discussion

# Tax Topics for Discussion

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- ✓ Alternative Investments – strategic decisions; required filings; best practices
- ✓ Operational Investments – unrelated business income; private inurement considerations; organizational preferences
- ✓ Employment Tax – managing filings; identifying risks system-wide
- ✓ Section 501(r) – challenges in maintaining compliance and related strategies
- ✓ Real Estate Tax Exemptions – managing a system-wide real estate portfolio; initial exemption; and own or lease considerations



# Alternative Investments

# Alternative Investment Topics

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- Required filings related to investments
- State filing strategies
- Working with internal Treasury Department
- Strategic decisions about investments
- Best practices and takeaways
  - Utilize a matrix to track and monitor state tax filings and deadlines (i.e. C-TRAC State Module).
  - Develop internal policy to establish organizational filing thresholds for compliance.
  - Create cross-walk between investment portfolio leadsheet to alternative investment tracker (i.e. C-TRAC AIM) to ensure all investments are properly accounted for.



# Operational Investments

# Operational Investment Topics

- For-profit partnership relationships
- Single-member limited liability companies
  - SMLLC Advantages
  - SMLLC Disadvantages
- Monitoring for unrelated business income and private inurement/benefit
- Best practices and takeaways
  - Establish and monitor system operational investment policies that consider the following:
    - Mission-based Investment – Does investment support mission and/or further exempt purpose and strategy of the hospital system?
    - Transfer Pricing – Are cost sharing arrangements and allocations between parent and operational investments at arm's length? What documentation is in place to support these arrangements?
    - Unrelated business income and private inurement / private benefit risks – When SMLLC activities are rolled up to a larger entity, are collective risks being properly monitored?





# Employment Taxes

# Employment Tax

## • Typical Audit Areas

- Worker Classification
- *Personal use of vehicles, club dues, other fringes*
- *Review of employment contracts, expense reports*
- *Moving/relocation expenses*
- *Tuition remission and educational related benefits*
- *Pension and retirement plans*

## • Best practices and takeaways

- **Document, document, document!!!!**

- **Accountable Plans**

- Contemporaneous Record Keeping/Substantiation

- In order to meet the substantiation requirements of section 274, employees are required to provide sufficient information to satisfy the “business connection” of the expenditure;
- The information required to satisfy this test has been described as the five “W’s”:
  - ✓ What – the amount
  - ✓ When – the time, date, etc.
  - ✓ Where – the location, destination, etc
  - ✓ Why – the business purpose of the expenditure
  - ✓ Who – for entertainment expenses

- Review existing policies
- Communication to various departments
- Need to have clear website guidance





# Section 501(r)

# Section 501(r) Topics

- Community Health Needs Assessments (CHNA) and Implementation Strategies (IS)
- Financial assistance and related policies
- Auditing operational compliance
- Effect of employee turnover on 501(r) compliance
- IRS audits
- Best practices and takeaways
  - CHNA and IS
    - CHNA and IS address different requirements; both are needed
    - Make sure two cycles are accessible on website
    - Use templates to maintain consistency; establish measurable goals
  - Financial assistance, AGB, billing and collection
    - Ensure continuing education for revenue cycle leaders to ensure that any changes to AGB/sliding scale are compliant
    - Have someone (internal or external) help ensure overall compliance
    - 501(r) is not “done”!



# IRS Activity

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- IRS has been conducting compliance reviews of tax-exempt hospital tax filings each year
- 30 IRS agents were reassigned from the Determinations to the Examinations functions
- Most of the hospital reviews are initiated on a non-contact basis
- The discovery of compliance lapses or the need for clarification may elevate a taxpayer to a compliance-check contact or initiation of an examination
- An examination relating to 501(r) compliance may expand to touch a range of potential issues, such as unrelated business income, excess benefit transactions, or political campaign issues



# IRS Reviews/Exams in 2016

- In 2016:
  - There were 1,006 non-contact reviews completed
  - Over 300 hospitals were referred for field exam
- Issues:
  - Lack of a community health needs assessment
  - No financial assistance or emergency medical care policies
  - Billing and collection requirements



# Sample IDR Questions

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- Were all of the financial assistance documents available on a website during the tax year?
- Provide committee minutes describing the hospital's actions in regard to widely publicizing the financial assistance policy
- Provide documentation supporting the publicity and plain language summary of the hospital's financial assistance policy
- Describe the methodology used to ensure that any populations of limited English proficiency served by the hospital have access to translated documents
- Provide copies of any complaints in which a patient alleged that a hospital failed to comply with its financial assistance policy, emergency medical care, or billing and collection policies
- Provide a copy of the board resolution showing adoption of the relevant policies
- Provide AGB work papers
- Provide dates that CHNA and implementation strategy was adopted by an authorized body of the hospital and board minutes or resolution



# Real Estate Tax Exemption

# Real Estate Tax Topics

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- Handling real estate tax matters system-wide
- Acquiring new properties
- Lease versus own
- Anticipating property tax challenges and staying ahead of the game
- Best practices and takeaways
  - Maintain an inventory of properties, including location and activities conducted at each location
  - Be aware of the time-sensitivity of applying for exemption, property tax appeals and refunds (and closely track refund amounts due as significant dollars may be “paid under protest” during appeal process)
  - Maintaining an “always-lease” or “always-own” position may be short-sighted—consider the facts and circumstances of each transaction

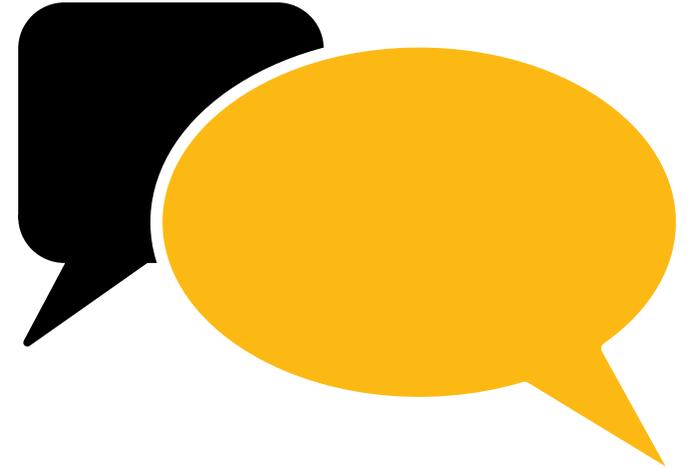


# Overview

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## **As a Tax Manager, do you ever ask yourself:**

- What are other organizations doing?
- Am I missing any required filings?
- What IRS activity is occurring in the industry?
- Are there any “best practices” that I should incorporate?
- How am I supposed to keep track of every tax issue without missing something?
- Do I really want to know how my Human Resources Department is handling employment tax issues?
- Why isn't there someone I can call for help?!



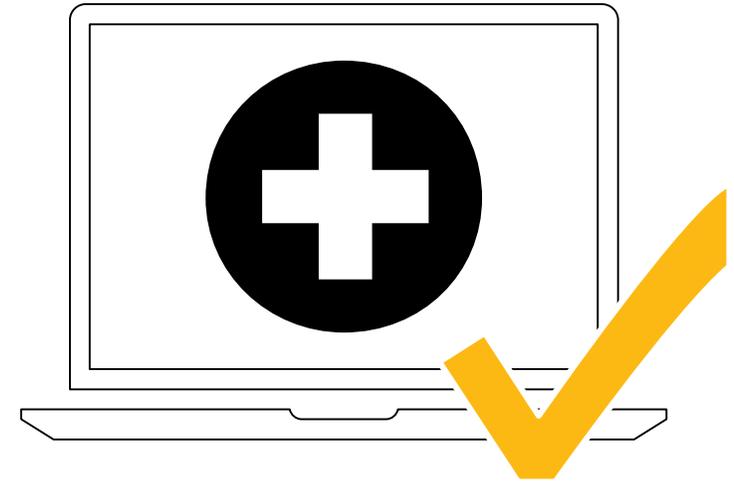
# Tax Checkup

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**Tax Checkup is a process that Crowe has devised to assist organizations in identifying a broad array of tax issues throughout the organization**

We will –

- Invest time to learn about your tax issues
- Bring the appropriate tax expertise to the table for a discussion
- Provide recommendations



# Tax Checkup FAQs

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## **What is the purpose of the Tax Checkup?**

- Raise your awareness of the multitude of potential tax issues that may apply to your organization
- Enable Crowe to help you identify your organization's greatest tax risks
- Assist you in prioritizing an action plan to address any tax risks identified

## **Is the Tax Checkup the same as the FIN48 checklist that I complete every year for my auditors?**

No—a FIN48 (or ASC 740-10) checklist would apply to uncertain tax positions related to income taxes only, and would exclude such other taxes as sales taxes, property taxes, payroll taxes, and others. The Tax Checkup is intended to apply to a broader range of tax risks than would be encompassed by a FIN48 checklist. Additionally, the Tax Checkup is conducted in discussion format, rather than checklist format, so any necessary clarifications can be easily vetted.

# Tax Checkup FAQs

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## **Will utilizing the Tax Checkup cost me anything?**

Crowe will charge a nominal fee for the Tax Checkup, based upon the number of tax modules chosen.

## **What do I receive as a result of utilizing the Tax Checkup?**

The deliverable is based upon your preference, and could range from verbal recommendations and suggestions to a one- or two-page written summary or PowerPoint presentation of issues discussed and recommendations made.

## **Why don't I just pick up the phone and call Crowe when I have a tax issue, rather than work through the Tax Checkup process?**

That is fine! The Tax Checkup is just another tool that Crowe makes available for those who tend to be more reactive than proactive. It serves as an easy-to-reference reminder of the numerous tax issues that may affect tax-exempt organizations, and helps organizations take a more preemptive approach to tax matters.

# Tax Checkup FAQs

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## So how does the process work?

1. Select tax topics. You review a list of tax issues likely to impact tax-exempt organizations, and select several topics of interest to you. Consider tax topics that may be new to you or your organization, that may create some level of uncertainty, that may be in areas in which you would like to learn more, that may involve issues being handled differently by peer organizations, that may be the latest focus of regulators, etc.
2. Preliminary discussion with Crowe to select tax topics. A preliminary discussion will help Crowe better understand your concerns, gather appropriate information or documents to review prior to more detailed discussion, and identify the appropriate expertise to include in that discussion.
3. Detailed discussion with Crowe to analyze tax topics selected. An onsite meeting or conference call will be scheduled to discuss each selected tax topic in detail.
4. Presentation of final results. Crowe will present final results per your preference.

# Overview of Main Tax Topics

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## Exempt Organizations

- Unrelated Business Income
- Supporting Organizations and Public Charity Status
- Intermediate Sanctions
- Corporate Structure
- Board Governance
- Mergers, Acquisitions, Joint Ventures
- Lobbying And Political Activity

## State and Local Tax Issues

- Unclaimed Property
- State Income Tax Issues
- State Sales Tax Issues
- Property Tax Issues



# Overview of Main Tax Topics

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## Human Resource Issues

- 403(b) / 401(k) Plans
- 457 Plans
- Other Benefit Plans
- Employment Law Compliance
- Worker Classification
- Fringe Benefit Tax Issues
- Payroll Tax
- Non-Resident Alien Tax
- Tax Information Reporting
- Travel and Expense Reimbursement



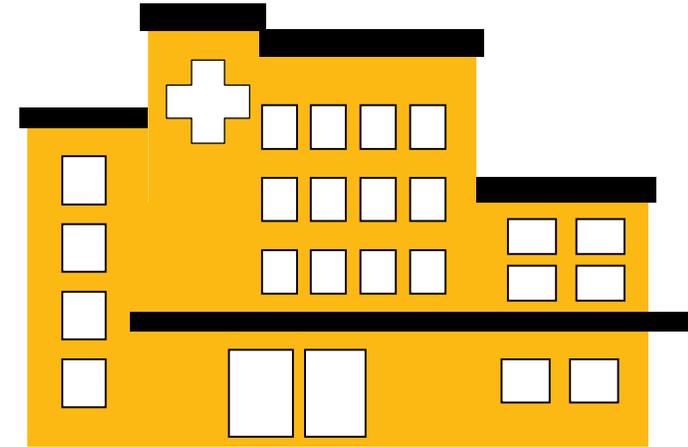
# Overview of Industry-Specific Main Tax Topics

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**Industry-specific main tax topics include the following:**

## Health Care

- Section 501(r)
- Captive Insurance
- Form 990, General
- Form 990, Schedule H
- Telemedicine
- Accountable Care Organizations
- Physician Acquisition / Compensation / Recruitment



# Overview of Industry-Specific Main Tax Topics

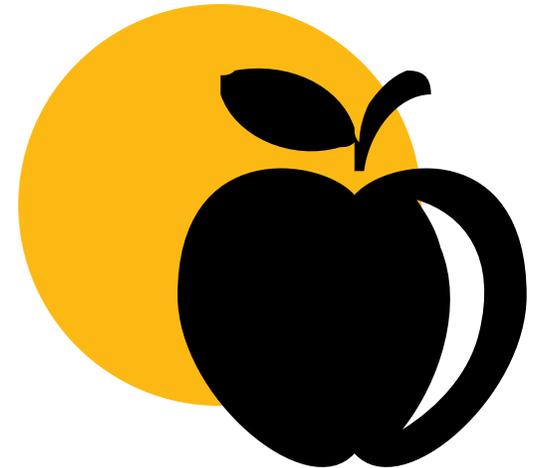
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## Higher Education

- Scholarship/Fellowship
- Sponsorship
- Research and Technology Transfer
- Athletic Departments
- FATCA Compliance

## Private Foundations

- Taxable Expenditures
- Program-Related Investments
- Self-Dealing
- Domestic Grant-Making
- International Grant-Making



# Example of Main Tax Topic with Related Subtopics

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**Each main tax topic will have a list of related subtopics from which to choose:**

## Main Tax Topic

### 457 Plans

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## Related Subtopics

- Impact of vesting on timing for inclusion in taxable income
- Clarify of plan document as to timing of distributions
- Annual statements to participants showing value of plan benefits
- Plan sponsor reporting on Form 990
- Review of plan investments from a fiduciary perspective
- Tax reporting of plan distributions

# Summary

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**We want to make your job as Tax Manager more manageable, and lessen the tax risks within your organization**



# Questions / Discussion

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# Thank you

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