

Form 990 and Tax Update for FQHCs

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WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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Create Opportunities

Agenda

- Impact of federal income tax reform
 - Employee transportation
 - Other employee benefits
- Community benefit reporting



Tax on Employee Transportation

- Providing transportation assistance to employees is an unrelated business activity.
 - Parking and commuting (bus passes, bicycle stipends, etc.)
 - As of 1/1/2018
 - Created by the Tax Cuts and Jobs Act of 2017
- Employer must calculate the transportation expenses and report some/all of it on Form 990-T.
- Tax rate = 21%
- Document either (a) why the tax doesn't apply or (b) calculation of taxable amount.
- IRS Notice 2018-99 provided some guidance.



Tax on Employee Transportation

- The following situations cause an income tax:
 - Employer pays a third-party for a specific employee to have a specific reserved parking spot;
 - Employer owns/leases a parking lot that includes any spots reserved for employees; or
 - Employer owns/leases a parking lot and more than 50% of that lot is used by employees during normal business hours on a normal business day.
- The tax must be determined separately for each geographic location.
 - Multiple parking lots in one geographic location **can** be aggregated.



Tax on Employee Transportation

- Ways to determine employee use of the parking lot:
 - Census/survey
 - ◇ Stickers/papers in windshields
 - ◇ Ask each employee as they enter the building
 - ◇ Survey Monkey
 - Mathematics
 - ◇ Total potential parking = number of parking spots x number of normal business hours per day x number of days
 - ◇ Employee use = total employee hours worked at that location / total potential parking
 - Any other reasonable method



Tax on Employee Transportation

Expenses to *include*:

- Lease/rent
- Utilities
- Insurance
- Property taxes
- Interest on debts
- Repairs and maintenance
- Snow/ice/leaf/trash removal
- Cleaning
- Landscaping
- Parking lot attendants
- Security

Expenses to *exclude*:

- Any capitalized expenses
- Depreciation
- Expenses attributable to sidewalks and grass around the parking lot

Tax on Employee Transportation - Example

	Parking Facility #1
Parking Facility Name	
Parking Facility Address	
Type of Expense	Own/lease a parking lot
Parking facility expenses during the fiscal year	
Repairs	1,413
Maintenance	-
Utilities	1,024
Insurance	143
Property taxes	1
Interest	1,696
Snow/ice removal	-
Leaf removal	410
Trash removal	410
Cleaning	410
Landscaping	-
Parking lot attendants	-
Security	-
Lease/rent	-
Other	-
Total parking facility expenses	5,506
Total number of parking spots in parking facility	86
Number of parking spots reserved for employees	20
Expenses attributable to reserved employee parking spots	1,280
Number of remaining parking spots used by employees	49.00%
Primary use of unreserved parking spots	Public Parking

- Reserved employee parking
 - $20 / 86 \times \$5,506 = \$1,280$
- Average employee use
 - Employees worked 369,163 hours in 2018.
 - Total potential parking = $86 \times 24 \text{ hours} \times 365 \text{ days} = 753,360 \text{ hours}$
 - $369,163 / 753,360 = 49.0\%$
 - Less than 50%, so no additional taxable expenses
- Tax calculation
 - \$1,000 standard deduction
 - $\$1,280 - \$1,000 = \$280 \times 21\% = \59



Taxation of other employee benefits

- Moving expenses
 - Between 1/1/18 and 12/31/25, employer reimbursement of moving expenses is taxable compensation
- Employee achievement awards
 - Achievement = length of service, quality, safety, etc.
 - Excluded from employee compensation if below threshold and not a cash equivalent
 - Cash equivalents expanded to include vacations, meals, lodging, event tickets, and securities
- Temporary Family and Medical Leave
 - Between 1/1/18 and 12/31/19, there's a tax credit to claim on Form 990-T
 - For providing FML to lower-paid employees (taxable comp < \$72K)



Community Benefit Reporting

- Community benefit activities seek to improve access to health services, enhance public health, increase community health knowledge, relieve the government's burden of providing health care, etc.
- Examples:
 - Research or education that benefits the public
 - Strengthening community health resilience
 - ◇ Withstanding and/or recovering from public health emergencies
 - Addressing federal, state or local public health priorities
 - Leveraging or enhancing public health department activities
 - Reducing geographic, financial and cultural barriers to accessing health care
 - Activities and programs broadly available to the public and serve low-income consumers

Community Benefit Reporting

- 501(c)(3) hospitals are required to report community benefit activities in Form 990, Schedule H.
- Federal and state governments have given no indication of expanding this to others.
- Voluntary disclosure may help “sell” your organization to stakeholders.

Community Benefit Reporting

Cost-to-charge adjusted:

- Financial assistance
- Medicaid
- Other means-tested government programs
- Medicare(?)

Actual costs:

- Community health improvement services
- Community benefit operations
- Health professions education
- Subsidized health services
- Research
- Cash and in-kind contributions for

Community Benefit Reporting

- Cost-to-charge adjustment: calculate a cost-to-charge ratio
- Multiply that ratio by total costs in a category
- Ratio = total operating expenses divided by gross patient charges

Community Benefit Reporting

- Financial assistance (charity care)
 - Needs-based discounts voluntarily given by the organization
- Medicaid
 - Include managed care plans
- Other means-tested government programs
 - Government-sponsored health programs in which eligibility is determined by recipient's income and/or asset level
 - Example: state children's health insurance program (SCHIP)
- Medicare
 - Reported separately by hospitals in Schedule H
 - Allowed to explain why the Medicare shortfall is a community benefit



Community Benefit Reporting

- Community health improvement services
 - Activities and programs subsidized by the organization for the express purpose of improving community health
 - Don't generate inpatient or outpatient revenues, although there may be a fee to participate
 - Examples: wellness classes, group sessions, education
- Community benefit operations
 - Activities related to conducting community health needs assessments, community benefit program administration, and fundraising or grant-writing to support community benefit programs
 - Do not include activities if they are primarily for marketing or if they are more beneficial to the organization than the community



Community Benefit Reporting

- Health professions education
 - Educational programs that result in a degree, certificate or training necessary to be licensed to practice as a health professional
 - Continuing education to maintain licensure
 - Do not include programs available only to your providers
 - Includes programs for interns
- Subsidized health services
 - Clinical services provided despite a financial loss to the organization because they meet an identified community health need
 - Examples:
 - ◇ Specific clinical services
 - ◇ Clinical locations designed to serve medically underserved populations

Community Benefit Reporting

- Research
 - Any study or investigation with a goal of generating increased generalizable knowledge made available to the public
 - Include internally and externally funded research
- Cash and in-kind contributions for community benefit
 - Donated cash, goods, services and use of facilities to support the conduct of community benefit activities by others

Community Building Activities

- Activities that are not healthcare-related, but still support the community
 - Physical improvements and housing – providing or rehabilitating housing for vulnerable populations
 - Economic development – assisting small business development in neighborhoods with vulnerable populations, creating jobs in areas with high unemployment, etc.
 - Community support – child care, mentoring, support groups, violence prevention, etc.
 - Environmental improvements – addressing environmental hazards
 - Leadership development and training for community members
 - Coalition building – participating in coalitions and other collaborative efforts
 - Community health improvement advocacy – supporting programs and policies to safeguard or improve public health, access, housing, the environment, and transportation
 - Workforce development – recruiting providers to medical shortage areas, training and educating community members, etc.
 - Other activities – anything else that protects or improves the community's health

Community Benefit Reporting

- Sources of help:
 - Form 990, Schedule H instructions – detailed worksheets
 - A tax preparer who works with 501(c)(3) hospitals
 - Catholic Health Association
 - ◇ <https://www.chausa.org/communitybenefit/community-benefit>

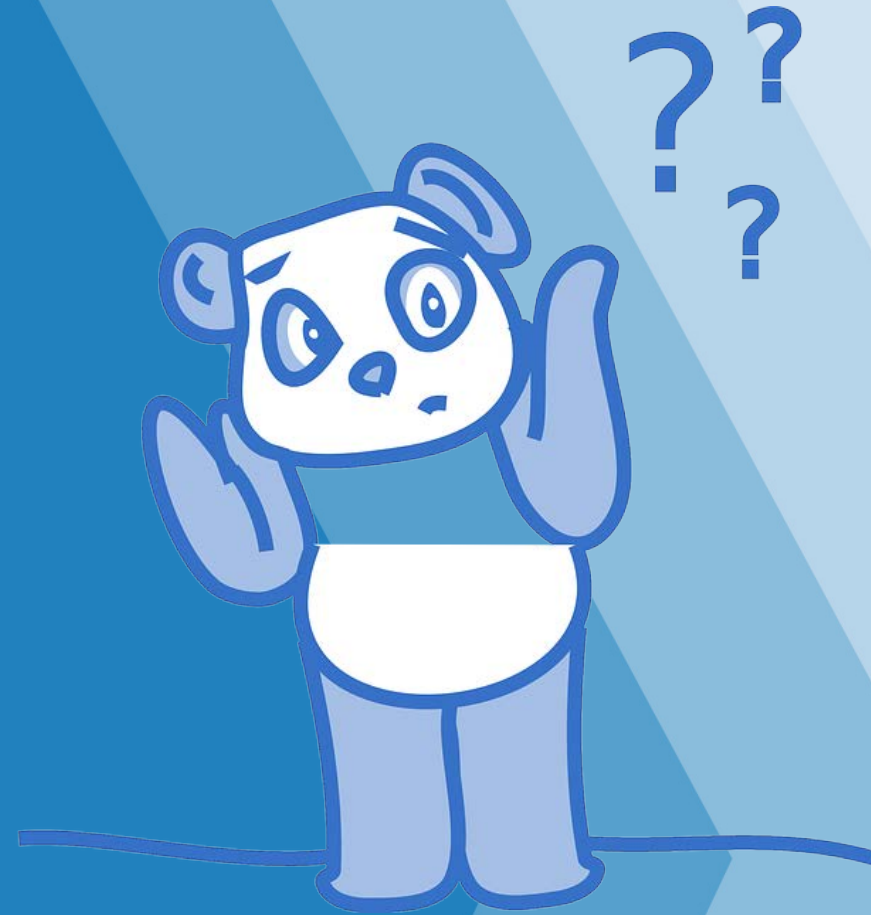


Questions?

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