



## **Upcoming IRS Initiatives Could Impact Hospitals, Health Systems**

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Internal Revenue Service (IRS) officials recently announced several upcoming compliance initiatives that could have implications for 501(c)(3) organizations, including hospitals and health systems.

In recent years, the IRS has trended toward scrutinizing how tax exempt organizations use their funds. The IRS plans to continue this practice by reviewing the manner in which 501(c)(3) organizations accomplish a tax exempt purpose. Along those lines, a tax-exempt hospital may face scrutiny on the extent to which it carries out its charitable purposes.

The IRS also plans to examine a random sample of 200 tax-exempt organizations in order to evaluate compensation levels. It plans to target organizations with high gross receipts and low compensation levels, ostensibly to see if the organizations are accurately reporting executive compensation amounts. The ultimate goal is to evaluate Form 990 compliance.

Finally, the IRS announced that it plans to examine the governance practices of 200 501(c)(3) organizations. It will do so based on the checksheets that IRS agents complete during organizational examinations. Its goal in doing so is to make broader observations regarding the correlation between governance and tax compliance.