

What Counts Task Force

Community Benefit Donations – Criteria for Reporting as Community Benefit and Examples for Prioritizing Donation Requests

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IRS Form 990, Schedule H instructions indicate that to be reported as community benefit (in Part I, line 7i of the form), cash donations must be restricted by the hospital organization to a community benefit purpose. That means that to be counted, cash donations must be restricted in writing to one of the following activities, with the definition of each activity found in the Schedule H instructions:

- Financial assistance (charity care),
- Medicaid,
- Other means tested government programs,
- Community health improvement services,
- Community benefit operations,
- Health professions education,
- Subsidized health services, and/or
- Research.

If the donation is for community health improvement services, the following criteria should be met:

- Community need must be established (identified through a CHNA or a request/partnership with public health agency or community tax-exempt organization).
- The donation must address one of the following community benefit objectives:
 - improve access to health services
 - enhance public health
 - advance knowledge through education or research
 - relieve a government burden for health.
- The donation is:
 - primarily a benefit to the community, rather than the organization, and
 - not benefiting employees and others affiliated with organization. (However, if an employee is a member, volunteer or board member of a recipient organization, this does not disqualify the donation.)

Report cash contributions and grants made by the organization to entities and community groups that share the organization's goals and mission.

To be reported as community benefit, the amount also must represent an expense to the hospital organization (e.g., not by its employees) and must not be associated with a *quid pro quo* arrangement in that the hospital receives something in return for having made the donation. Payments in lieu of taxes (PILOTS) are one such example specifically mentioned in the Schedule H instructions.

Donations for activities that are not restricted to one of the above defined community benefit purposes are not reportable in IRS Form 990 Schedule H, Part I, Line 7i but can be described in Part VI.

Please Take Note: *The information provided does not constitute legal or tax advice. The material is provided for informational/educational purposes only. Please consult with counsel regarding your organization's particular circumstances.*

Suggested guidance for prioritizing donation requests

Hospital organizations often receive many more donation requests than they can meet. Establishing and communicating criteria for decision making can be helpful both for the hospital and for organizations requesting financial support. Following are examples of criteria organizations could use for prioritizing donation requests. These are not IRS requirements but suggested criteria for selecting priorities among requests.

- The donation is aligned with the hospital's implementation strategy, which itself is based on the community health needs assessment and decisions made by the hospital regarding which significant community health needs the hospital plans to address
- The donation addresses one or more significant community health needs (as documented in the CHNA) that the hospital decided not to address as part of its implementation strategy; however, the need exists and recipients of donations can make a difference
- The donation will benefit a vulnerable population (such as low-income)
- The donation will promote health equity
- The potential recipient has articulated specific outcomes that would be achievable with the financial support
- The funds would be used for evidence-based intervention(s) shown to achieve the articulated outcomes
- The potential recipient organization can demonstrate a track record of viability and success

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