

**Guidelines for Reporting Environmental Improvement Activities
As Community Benefit and Community Building to the Internal Revenue Service¹
June 2013**

Environmental factors can play a critical role in the health and well-being of communities (See Table I). The Catholic Health Association (CHA) and Health Care Without Harm (HCWH) encourage health care organizations to include attention to environmental factors (as well as other health determinants) in their community health needs assessments, planning, and in the Community Benefit and Community Building activities they provide. This document has been prepared to provide guidance on what types of environmental improvement activities could be reported on the Internal Revenue Service Form 990, Schedule H (Schedule H) and in what category – Community Benefit (Part I of Schedule H) or Community Building (Part II of Schedule H). It is a work in progress that reflects our understanding of the IRS instructions for the Schedule H, <http://www.irs.gov/pub/irs-pdf/i990sh.pdf> and the scientific evidence of the relationship between environmental factors and community health. The information provided here does not constitute legal or tax advice. Please consult with counsel regarding your organization's particular circumstances.

1. Community Benefit Environmental Improvement Provided in Communities

The cost of environmental improvement activities provided in communities (external to the facility) can be reported as Community Benefit in the category of community health improvement in Part I, line 7 e of the Schedule H if the activity meets all of the criteria of the community health improvement definition:

- Provided in response to a demonstrated community need (See Table II).
- Seeks to achieve at least one Community Benefit objective, including improving access to health services, enhancing public health, advancing generalizable knowledge, and/or relief of government burden.
- Carried out or supported for the purpose of improving community health.
- Subsidized by the organization.
- Not provided for marketing purposes.
- Not more beneficial to the organization than to the community.
- Not required by law or for licensure or accreditation.
- Not restricted to individuals affiliated with the organization (employees and physicians).

Examples of environmental improvement activities provided in communities that can be reported as Community Benefit in the community health improvement category include the costs of the following activities, as long as they meet the criteria above:

- Establishing and promoting community vegetable gardens, farmers' markets, access to fresh produce, and/or increasing affordability of fresh produce in food deserts for at-risk populations, to address obesity, diabetes, and other nutrition-related health problems.
- Reduction or removal of respiratory and/or cardiovascular hazards, toxins, carcinogens and other harmful materials in vulnerable populations' housing, public buildings and outdoors.
- Mercury thermometer exchange and unused pharmaceutical recapture programs.

¹ State reporting policy and guidance may differ.

It is recommended that organizations retain documentation on the community health need being addressed and the relationship between the activity and enhancement of public health or any other Community Benefit objective.

2. Community Building Environmental Improvements Provided in Communities.

IRS instructions say that activities that improve the community's health and safety and are not/cannot be reported as Community Benefit can be reported as Community Building in Part II of the IRS Form 990 Schedule H.

While recognizing that the distinction between what is reported as Community Benefit and Community Building is not clear, CHA and HCWH recommend that environmental activities that improve the community's *capacity* to promote the health and well-being of its residents through environmental improvements be reported as Community Building. In general, health care organization Community Building activities catalyze and/or strengthen the community's *ability* to carry out activities to address community needs, and by contrast Community Benefit activities address community needs directly. Some examples might include the following (although some circumstances may justify a creditable claim that they meet the criteria of Community Benefit):

- Training community members to monitor and work to reduce community environmental health hazards stemming from activities of a local business or other facility.
- Participation in broader efforts to improve national and global environmental health such as involvement with Health Care Without Harm, and other environmental initiatives.

3. Community Building Environmental Improvements Within Health Care Organizations

IRS Instructions say that the cost of environmental improvement activities that occur within health care organizations that reduce the environmental hazards produced by the organization or related organizations can be reported as Community Building and reported in Part II of the Schedule H if all of the following are true:

- The primary purpose of the activity is improving community health.
- The activity addresses an environmental issue known to affect community health.
- The activity results in a net loss to the organization (all or some of the costs are not recovered and/or not paid back in future years).
- The activity is not provided for marketing purposes.

In order to be consistent with other reporting requirements, it is recommended that activities reported as Community Building also meet the following criteria:

- The primary purpose is not restricted to improving the health of individuals affiliated with the organization (employees and physicians).
- The activity is not an extension of patient care.
- The activity is not carried out to comply with laws and regulations.

Examples of expenses related to environmental improvement activities provided within health care organizations that can be reported as Community Building include unrecoverable, additional costs of:

- Waste reduction, recycling and composting to minimize incineration and landfill burden which present hazards to local community health by triggering asthma, cancers, and other problems.
- Purchasing cleaner energy in order to reduce harmful emissions from conventional power plants.
- Eliminating use of toxic materials such as mercury.
- Buying regionally grown or organic food to reduce transport-related emissions, non-organic pesticides and herbicides.
- Energy, water or green house gas emission reduction programs that improve community health, safety and/or climate change-related risks.

It is recommended that organizations retain documentation on the relationship between the activity and improving public health, as well as evidence that additional costs are unrecoverable.

4. Environmental Improvements Within Health Care Organizations That Should Not Be Reported on Parts I or II of the Schedule H

The following environmental improvement activities should not be reported in terms of cost:

- Activities and expenditures to reduce the environmental hazards caused by the organization or related organization which do not comply with the above criteria.
- Activities where the primary purpose is not community health, but rather the health of persons affiliated with the organization, i.e. physicians and employees, (for example, green cleaning products, replacing vinyl products).*
- Activities and expenditures to comply with environmental laws and regulations such as medical radiological waste disposal.
- Activities provided for marketing purposes, such as distribution of “green” items with organization’s name and logo, or redesign of a building to gain public attention and market share.
- Activities that are an extension of good/excellent patient care, such as replacing DEHP intravenous bags and tubes. [DEHP is a plasticizer typically used to make PVC more flexible, and has been found to be a reproductive toxicant and an endocrine disruptor in animals.]*
- Activities that recover costs or payback in future filing years (except for *de minimis* payback) , such as facility low emission vehicle purchases to reduce harmful emissions in high congestion, low air quality areas, or energy efficiency upgrades to heating, cooling or processing equipment to reduce harmful emissions and green house gasses that impact community health.

*Some of these activities could be described in narratives of Community Benefit reports and on Schedule H, Part VI, Supplemental Information, if these activities are not reported in Parts I and II but have positive environmental impacts and/or can influence the availability of safer products in the marketplace.

Table I
Examples of Environmental Factors that Impact the Health of Communities

Environmental Health Factor:	Contributes to (partial list):
Poor air quality, both indoors and outdoors	Premature death, chronic bronchitis, asthma, mercury contamination, cardiovascular conditions
Lack of access to fresh fruits and vegetables	Obesity, diabetes, heart disease, functional decline
Barriers to physically active lifestyles and exercise	Obesity, diabetes, hypertension, heart disease, functional decline, stress, mental health issues
Toxicants, carcinogens, mutagens, endocrine disruptors, certain pesticides and herbicides, that threaten reproductive health, developmental health and healthy aging	Reproductive illness and complications, cancer, neurological dysfunction, sexual development and dysfunction, dementia, Alzheimer's, Parkinson's Disease
Soil quality and contamination such as lead, toxins, PCB's, and other unhealthy waste	Poor food nutritional values, reproductive and developmental health, cancer, mental dysfunction
Lack of access to clean water and water quality	Intestinal illness, dehydration, cholera, diarrhea, mental stress, heat stress
Natural and manmade disaster risks, including climate disruption, especially related to increasing flooding, heat events, severe weather, stressed and/or poorly maintained infrastructure, all of which also, in turn, increase environmental hazards	Physical injury, heat stress, respiratory and cardiovascular conditions, increased infectious diseases, malnutrition, diarrhea, harmful algae blooms, stress, mental health issues, forced migration, civil conflict

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Table II

Determining Community Health Needs Related to Environmental Improvement

<p>IRS instructions for Schedule H note that community need can be demonstrated through:</p>	<p>Documents and/or examples that demonstrate environmental health needs include:</p>
<p>A community health needs assessment conducted by or accessed by the organization.</p>	<p>Credible, established assessments and reports that document environmental health problems such as:</p> <ul style="list-style-type: none"> ▪ Toxic chemicals releases, i.e. amounts used/released by factories – U.S. Environmental Protection Agency (EPA) Toxics Release Inventory (TRI) ▪ Number of active brown-field and Superfund sites – state environmental agency and U.S. EPA ▪ Obesity rate – U.S. Centers for Disease Control and Prevention (CDC) <p>Health and planning departments for municipal, county or state government can often supply data on:</p> <ul style="list-style-type: none"> ▪ Asthma rates for children, members of minority groups, and low-income populations ▪ Number of annual air pollution “action days” or “health alerts” ▪ Rates of lead poisoning, birth defects and/or cancers ▪ Number/locations of parks, playgrounds and recreational facilities ▪ Rates of pedestrian injuries/fatalities –CDC, state and local transportation agencies ▪ Access to public transportation, community walkability, average commute time to work/school/shopping - planning or transportation agencies, www.walkscore.com ▪ Healthy food availability: number and locations of grocery stores and farmers’ markets ▪ Rates of mold and mildew in local housing –energy efficiency weatherization programs by utilities, energy agencies, and housing agencies
<p>Documentation that the need or request came from a public agency or community group</p>	<p>A request from a public agency and/or recommendations, such as from the EPA Department of Energy and/or Department of Health and Human Services. In addition, recommendations of national professional organizations can document need, such as the American Public Health Association and national medical societies. A community group could identify a lack of access to fresh produce and/or a safe place for after-school outdoor recreation.</p>
<p>Government or unrelated tax-exempt organizations are partners in the activity.</p>	<p>The activity is provided in partnership with federal, national, or local health or environmental programs, or non-profit organizations such as the EPA Pollution Prevention and Toxics Reduction Program, EPA Energy Star Partner, or the local chapter of the American Lung Association.</p>

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The Catholic Health Association of the United States (CHA) is the national leadership organization of more than 2,000 Catholic health care sponsors, systems, hospitals, long-term care facilities, and related organizations.

Health Care Without Harm (HCWH) is a coalition of more than 470 health-related organizations in 52 countries working to transform the health care sector, without compromising patient safety or care, so that it is ecologically sustainable and no longer a source of harm to public health and the environment.

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