

Requiring nonprofit hospitals to annually assess the value of their tax exemptions

About 80 percent of Georgia hospitals are not-for-profit entities, which are exempt from paying most taxes and, because of this, not-for-profit hospitals do not contribute fiscally to vital local infrastructure, such as road and sewer maintenance, public schools or firefighter and police forces, even though these services are utilized.

Local and state exemptions – sales, property, income, bond financing and state franchise fees – account for the overwhelming majority of these tax exemptions. However, it is unknown the value of these breaks are, both collectively and individually, as there is no mechanism that requires hospitals to report to the state what the tally of their tax breaks. Estimates range from \$200 to \$500 million though, as of right now, no one is certain.

In a time when our communities are in serious fiscal distress, it seems only fair we are able to carefully examine the return on tax breaks given to nonprofit hospitals. Successful businesses keep a close eye on yields on investment, and so should Georgia. We strongly support efforts to require these nonprofit hospitals to annually report to the Department of Revenue the value of their tax-exempt status, which would then be made publicly available.

We realize that there are occasionally reports from hospitals, hospital associations and other groups that lay out certain financial data; however, we strongly feel that a governmental requirement to provide this information would allow for the reporting of the value of a hospital's tax-exempt status without biased language or unnecessary information, which could in turn dilute the data. This line of reasoning follows closely to that of the Internal Revenue Service and their revamping of Schedule H of the IRS Form 990 as it relates to nonprofit hospitals, their tax exemptions and the need for clarity on what hospitals are providing in exchange for their exemptions.

A tax-exempt status should not be an entitlement, nor should the state's policy makers, advocates and consumers be kept in the dark as how valuable of those exemptions. By understanding the amount we as taxpayers forgo each year in much-needed revenue, we are better able to work with our hospitals to ensure our return on our investment. A hospital earns its tax-exempt status through the benefits it provides to the community; the community should know how much it is contributing to the hospital.