

Comments of Danny Orrock, Deputy Director of Georgia Watch, to the
Special Council for Tax Reform and Fairness for Georgians

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Hello, my name is Danny Orrock and I am here representing Georgia Watch, a consumer education and advocacy group based here in Atlanta. In 2009, we launched the Metropolitan Atlanta Hospital Accountability Project, which examines the practices of hospitals in regards to finances, billing, and indigent and charity care. This program was expanded to a statewide focus earlier this year.

Nonprofit hospitals in Georgia are the beneficiaries of full exemptions on sales, ad valorem, income and property tax. The income tax exemptions come from the nonprofit designation under the federal revenue code, while the other breaks are a result of state law. I'd like to tell you what the value of these exemptions are, but we just don't have that information. The fact is that there is no assessment of what those exemptions add up to.

In exchange for these tax exemptions, the IRS expects hospitals to provide a community benefit. However, the definition of a community benefit is vague, and it is not always easy to determine what level of benefits a hospital is providing to their community. Recently, the IRS began requiring a more detailed description and accounting of community benefits in annual tax filings by hospitals. This information will be important in determining what nonprofit hospitals are doing to improve health in their communities. But without a valuation of exemptions, we have an incomplete picture.

The point I want to make here is that state leaders don't currently know what sort of bang Georgia taxpayers get for their buck when it comes to tax exemptions for nonprofit hospitals. We need assessments so that policymakers can have the information necessary when making budget and revenue decisions. Requiring hospitals to report the sales tax and income tax exemption amounts would give us some sort of idea of the revenue that the state is foregoing.

I'm not here today asking for a broad change to the revenue code. However, I would urge the Council and state officials to take steps to get a better sense of the value of nonprofit hospital tax exemptions and what Georgians are receiving in exchange for these tax breaks. Only if we have this information can we determine if nonprofit hospitals are living up to their obligation to provide a benefit to communities in Georgia. Thank you.

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