

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE

House Bill 41 (Delegate Angel)
 Health and Government Operations

Hospitals - Community Benefit Report - Disclosure of Tax Exemptions

This bill requires a hospital to include an itemization of the value of all tax exemptions received by the hospital in the hospital’s annual community benefit report.

Fiscal Summary

State Effect: Special fund expenditures increase by as much as \$75,000 in FY 2019. Expenditures in future years may increase minimally to revise reporting standards. Revenues are not affected.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	75,000	-	-	-	-
Net Effect	(\$75,000)	(-)	(-)	(-)	(-)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: Each nonprofit hospital must submit an annual community benefit report to the Health Services Cost Review Commission (HSCRC) detailing the community benefits provided by the hospital during the preceding year. The report must include the hospital’s mission statement; the initiatives undertaken by the hospital, including costs, objectives, and efforts taken to evaluate effectiveness; a description of gaps in the availability of specialist providers to serve the uninsured in the hospital; and the hospital’s efforts to track and reduce health disparities in the community.

There are approximately 55 nonprofit hospitals in Maryland. Section 501(c)(3) of the Internal Revenue Code identifies as tax-exempt those organizations that are organized and operated exclusively for specific purposes, including religious, charitable, scientific, and educational purposes. Nonprofit hospitals receive many benefits from their tax-exempt status. They are generally exempted from federal income and unemployment taxes, as well as State and local income, property, and sales taxes. In addition, they are allowed to raise funds through tax-deductible donations and tax-exempt bond financing.

The most recent [Maryland Hospital Community Benefit Report](#), released in May 2017, notes that Maryland hospitals provided just over \$1.5 billion in total community benefit activities in fiscal 2016 – representing a slight increase over the fiscal 2015 total. The total includes \$492.7 million in mission-driven health care services (subsidized health services), \$469.3 million in health professions education, \$320.9 million in charity care, \$107.2 million in community health services, \$6.6 million in unreimbursed Medicaid expenses, \$24.7 million in community-building activities, \$20.8 million in financial contributions, \$13.4 million in community benefit operations, \$9.6 million in research activities, and \$1.7 million in foundation-funded community benefits.

State Expenditures: HSCRC advises that it needs to hire a contractual tax professional to verify the reports submitted by hospitals that include an itemization of the value of all tax exemptions received by the hospital at a cost of \$75,000 in fiscal 2019 and \$100,000 annually thereafter. However, the Department of Legislative Services (DLS) advises that, while contractual assistance is likely required to develop initial definitions, standards, and instructions for reporting, out-year expenditures related to the collection and verification of reports may be significantly lower, barring drastic changes to the tax-exempt status of hospitals in the State. Therefore, DLS advises that future year expenditures may increase minimally to revise reporting standards, as necessary, but that verification of reported data can be handled through existing processes.

Additional Information

Prior Introductions: SB 623 of 2017 received an unfavorable report from the Senate Finance Committee. Its cross file, HB 921, received a hearing in the House Health and Government Operations Committee but no further action was taken. SB 601 of 2016 received an unfavorable report from the Senate Finance Committee. Its cross file, HB 1189, received a hearing in the House Health and Government Operations Committee but was subsequently withdrawn.

Cross File: None.

Information Source(s): Maryland Department of Health; Department of Legislative Services

Fiscal Note History: First Reader - January 18, 2018
nb/jc

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