

Tax status in healthcare research paper

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The health care field is quickly changing and is facing numerous challenges, such as the continuation of tax-exempt status, unrelated business tax and excise taxes. Most nonprofit healthcare organizations qualify to operate as a charity if they attain public charity status or are publicly supported institutions (Gravelle, 2008). Hospitals have made joint ventures with physicians and added ancillary operations to their services. The income received from such ventures ought to be analyzed for federal income purposes. The finances that are also used to run the endeavor should also be scrutinized.

Federal income tax issues that affect healthcare organizations include tax exempt financing, physician-hospital relationships, maintenance fees, taxable subsidiaries, fundraising activities, employment tax issues, managed healthcare organizations, hospital audits and reporting rules. Federal income tax also entails the federal anti-referral statuses that healthcare organizations must act in accordance with to retain their tax exempt statuses (Gravelle, 2008). This non-tax law, which has dire tax implications, is also inclusive of organizations covered by the Medicaid and Medicare programs (Taylor, 2011). The exemption from income tax is not automatic, as it must be granted by the IRS.

Organizations that are taxed also face income tax issues; for example, they must comply with the rules and regulations that come with large fines when evaded. Organizations should also submit their returns in time for annual auditing. The books of accounts have to clearly state the origin of funds and show how they were used. Tax rates also affect these organizations because they are dependent on how the organization was created. An incorporated or

unincorporated institution computes its taxes using the general corporation tax rate, whereas a trust rate is used by a trust organization.

References

Gravelle, J. (2008). Tax issues relating to charitable contributions and organizations. Washington, D. C.: Congressional Research Service.

Taylor, S. (2011). The law of tax-exempt organizations in a nutshell. St. Paul, MN: west.