

TAX REFORM: IMPACT ON HEALTH CARE ORGANIZATIONS



| PROVISION | CHANGE | PROJECTED IMPACT |
|---|---|--|
| Corporate Tax Rate | Reduced corporate rates to a flat 21% | Lowered tax burden for health care organizations |
| Interest Expense Deduction | For-profit health care organizations can deduct interest payments up to 30% of adjusted taxable income | Existing debt is not grandfathered, so organizations may need to consider whether to take action to reduce their existing debt load |
| Unrelated Business Income (UBI) | Tax-exempt organizations must calculate gains and losses separately for each trade or business activity without any offsets. The 21% corporate tax rate will be assessed, and loss activities will create net operating losses carrying over indefinitely, which will be subject to the new corporate loss limitation rules. | Tax-exempt hospitals can no longer offset income from unrelated business activities, such as cafeteria earnings, with losses from other unrelated business activities |
| Excise Tax for Executive Compensation | 21% excise tax on any organization (exempt and non-exempt) with excessive executive compensation, typically wages over \$1 million | Some organizations may consider revisiting their nonvested, nonqualified, deferred compensation programs to defer excise tax |
| Standard Deduction | Increased to \$12,000 for individuals and \$24,000 for couples | More taxpayers will take the standard deduction Itemized deductions predicted to drop by \$95 billion in 2018 |
| Affordable Care Act Individual Mandate | Repeals the individual mandate by reducing the penalties to \$0 | A predicted 13 million people will go without health insurance Hospitals may want to consider tightening financial assistance policies to limit or exclude assistance for patients who qualify for subsidized Affordable Care Act, Medicaid or other coverage but choose to decline |
| Individual Alternative Minimum Tax (AMT) | Several triggers of the prior AMT, including state and local tax deductions, personal exemptions, & miscellaneous deductions have been reduced or repealed AMT exemption expanded | Physicians who paid AMT in the past may not be subject under new law AMT burden projected to decrease from \$5 million to \$200,000 |

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