DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

COMMISSIONER
TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

March 12, 2012

The Honorable Charles Boustany, Jr., M.D.
Chairman
Subcommittee on Oversight
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This response relates to your letter to Commissioner Shulman dated October 6, 2011 requesting information about the tax-exempt sector. This response supplements my November 18, 2011 response and addresses the additional issues raised by your staff in discussions with my staff on December 16, 2011. We believe the in-person meeting with your staff was a helpful exchange that enabled us to provide additional pertinent information. This letter contains responses to questions raised by your staff.

Overview of the Exempt Organizations Office

Your staff requested additional information on the general activities of the Exempt Organizations office within the Tax-Exempt and Government Entities Division and on the Form 990 redesign. The Exempt Organizations office of the IRS is responsible for the compliance of approximately 1.8 million groups with diverse goals and purposes. In order to encourage the highest degree of compliance with tax law, EO conducts both an active dialogue and an ambitious communications and outreach program with exempt organizations and professional practitioners in the sector. The result is that when we initiate major undertakings -- such as legislatively mandated automatic revocation or the comprehensive redesign of Form 990 -- we seek and receive extensive input on development and implementation from the sector and the public. The redesign of Form 990 is a case in point.

Because the Form 990 is a publicly disclosable document, the information reported is not used by the IRS alone. Many states require nonprofit corporations operating within their borders to file Form 990 to satisfy state reporting requirements. Many foundations and other donors use Form 990 to identify and choose responsible charities to which to send their charitable contributions. The press, researchers, and watchdog groups also review and analyze information from Form 990.

The IRS began redesigning Form 990 in 2004. The basic format and content of the form had remained essentially the same since 1979, while the community of tax-exempt organizations had grown dramatically in size, variety, and complexity. Tax-exempt organizations had come under increasing scrutiny by Congress and in the news media over practices such as participating in prohibited tax shelter transactions, paying excessive compensation, accommodating donors claiming inflated or other inappropriate deductions, and operating business franchises or engaging in business ventures with for-profit enterprises.

The prior Form 990, with its emphasis only on revenues and expenses, assets and liabilities, had become outdated. It was primarily a series of yes/no checkboxes and numbers, but did not provide an accurate portrait of what an exempt organization was actually doing or reflect the full scope, activities, and dynamics of the modern, sometimes multi-leveled tax-exempt organization. The form needed to be updated to meet the needs of the IRS and the public to understand the activities of tax-exempt organizations, and to confirm that these organizations were continuing to operate consistently with their tax-exempt purposes.

In redesigning the Form, the IRS followed three guiding principles:

- Promote compliance with the tax law
- Promote transparency and
- Minimize burden (where consistent with the first two principles)

The redesign was a collaborative effort in which the IRS sought and received extensive input from the public sector. We met with nonprofit associations, state charity regulators, public interest groups, policymakers, and various representatives of the tax-exempt community. We redesigned the Form 990 based on input from both our own internal stakeholders (e.g., our Examinations and Submission Processing functions) and these external groups.

Once we developed a draft redesigned form, we released it for public comment and encouraged the public and exempt sector to provide us feedback. For a year and a half, we held seminars and provided speakers for interested parties such as trade association-type groups, particular sub-sectors that had an interest in the questions, and the sector in general. We explained the new format (core form and schedules), what we were asking for and why, and we solicited comments. We wanted to know from affected organizations and practitioners whether the draft form's questions were relevant, reasonable, and feasible to complete.

We received more than 5,000 pages of comments, which we are providing to your staff in disk form at their request (the format of the disk is discussed later in this response). We met with various stakeholders, who had provided comments to make sure we understood them, and we had conversations about what we – and they – were trying to accomplish. Where recommended revisions furthered our goals of transparency, compliance, and/or minimizing taxpayer burden, we revised the form. We then released the revised version for public comment. We also released the Form 990 instructions for similar comment. We considered all comments and made many further changes based on those comments. The final Form 990 took effect in 2008. The feedback we have received from the sector is that most agree that the process was fair and that the form as a whole is a good one. The redesign is evolving and we continue to receive comments from the sector and refine the form.

We recognized that the transition from the old to the new redesigned Form 990 would change the way some organizations capture and track data needed to complete the

form. To give small and mid-sized organizations with fewer legal, accounting, and administrative resources more time to adapt to the redesigned form, we provided transition relief. We implemented a three-year phase-in period, raising the asset and gross receipts thresholds for Form 990 filing by ten-fold (from $100,000 in gross receipts and $250,000 in assets to $1 million and $2.5 million, respectively) for tax year 2008, by five-fold for tax year 2009 ($500,000 and $1.25 million), and ending at $200,000 and $500,000 for tax years 2010 and later. The transition allowed hundreds of thousands of smaller and mid-sized organizations that would have been required to file the Form 990 for tax years 2008 and 2009 to file the shorter Form 990-EZ for one or both of those years. This transition period also gave organizations time to progressively enable their internal systems to respond to the new requirements.

Form 990 was redesigned to make it more user-friendly, streamlined, and better organized. We eliminated unstructured attachments, replacing them with structured schedules to promote uniformity and reduce ambiguity over how to report supplemental information. We also added many tools to the instructions, including a glossary, appendices, examples and illustrations, and a sequencing list, to help filers complete the form more easily.

The Form's significant changes in how to report compensation and activities involving related organizations now give the IRS the information needed to identify complicated compensation and financial arrangements that may be indications of private inurement, excess benefit, and/or private benefit. The "checklist of required schedules" shows at a glance whether the organization has engaged in activities that may involve noncompliant or potentially noncompliant activity, such as excessive lobbying or political campaigning, excess benefit transactions, transactions with an interested person, or a major disposition of assets. New schedules for reporting on foreign activities, hospitals, and tax-exempt bonds shed greater light on, and show whether such activities are being conducted consistently with tax-exempt purposes. By calling attention to practices and activities that could provide occasion for waste or abuse, the form is designed to encourage organizations to examine and exercise care in their operations.

The redesigned 990 provides us with a wealth of information about exempt organizations and has become an important tool in EO's strategic planning.
To best focus our resources, a Strategic Planning Working Group (the SPWG), which includes representatives from all EO functions – Rulings and Agreements, Guidance, Determinations, Examinations, as well as related Communications and Outreach, Research, and Counsel – reviews information from numerous sources, including trending data from the Form 990, applications for exemption, PIC codes, the news media and external and internal referrals. The process highlights areas of concern and areas where we know we need to learn more to strengthen compliance and improve tax administration. We then develop projects to focus on those areas.

One frequently used compliance tool is the compliance check questionnaire. These do not require the same level of resources by the government or the taxpayer as an examination, but they do provide us with a wealth of information about issues that affect the sector as a whole or about segments of the sector. For example, we recently looked closely at tax exempt hospitals. Hospitals are one of the largest parts of the exempt sector by revenues, but exams of hospitals are resource-intensive, so we cannot do more than a few of them a year. We developed a compliance check questionnaire that asked about demographic information, about the hospitals' basis for exemption, whether they were providing enough community benefit, and about their executive compensation-setting practices. We sent the questionnaire to 500 hospitals, small, medium, and large; ones that were in the cities, in the country, and across different demographics. In advance of sending out the questionnaire we posted it on our website and explained publicly what we intended to do in the project. We have found that this transparency encourages organizations to respond to this and other questionnaires. We generally have a greater than 90 percent response rate. After analyzing the questionnaire responses, we issued a public report providing the results of our analysis (not organization-specific). We have found such reports to be useful tools and helpful to the exempt organizations' sector as most organizations are looking to be compliant, and the information we provide helps them do so.

We also conduct a limited number of follow-up examinations based on questionnaire responses and Form 990 information. In the case of hospitals, for example, we focused on very highly compensated executives to determine whether that compensation was reasonable. At the end of the exam portion of the project we issued a final report to the public regarding compensation issues and the use of the rebuttable presumption of reasonableness.

To the extent possible, we also use a project's results to issue formal or informal guidance to exempt organizations. In the case of hospitals, we learned that there was inconsistency in how the hospitals were thinking about their community benefit activities, the basis for a hospital's tax exemption, and how they were reporting them. The interim report recommended development of a standardized Schedule H as part of the redesign of the Form 990 so that all hospitals would be reporting the same kind of information on community benefit, which would allow for better comparison and transparency. We released a draft Schedule H for public comment, met with and received input from representatives of the hospital community, made some adjustments, and issued the new Schedule H for tax year 2008.

As part of our compliance efforts, we also have a Review of Operations (ROO) office. It has three main functions. First, if we have examined an organization and found that the organization is off track, but not so far off track that it should lose its exemption, we require in a closing agreement that it make changes to come into full compliance. We then can refer the organization to ROO, which will take a look at the organization in the future to make sure it is maintaining compliance. The ROO review is not an examination. Rather, the ROO looks at Forms 990 and other publicly-available information; it looks on the web to see how the organizations are conducting their business and whether they are still compliant. If not, the ROO will refer the organization for examination.

The ROO also reviews a random sample of approved applications for recognition of exemption and looks at them a year or two after approval. Many organizations that

apply are not fully operational at the time of application, so their exemption determinations are made based more on their aspirations than their actual activities to date. The ROO reviews public information to ensure that the organizations continue to be organized and operated for tax-exempt purposes. If not, they are referred for examination. Finally, the ROO also conducts the statutorily mandated community benefit reviews of tax-exempt hospitals.

Information gained from the projects, the application process, and the examination process is fed back into our strategic planning, and the planning cycle begins again. All of this becomes transparent to the public through our Implementing Guidelines. The Guidelines are comprised of the annual report and an outline of the planned work for the year ahead. This is another way for us to communicate with the sector, let the sector know where our compliance concerns lie, provide guidance, and be transparent about our office and our processes.

Question 1(b). Your staff asked for additional information on Exempt Organizations' appropriations data.

In Exhibit 1(b)-1 of our November 18, 2011 response, we provided a breakdown of Tax-Exempt/Government Entities (TE/GE) appropriations data for FY 2008 – FY 2011. Per your staff's request, below is a description of the categories that reflect the Exempt Organizations' funding streams for the staffing, training, and direct support for the management of various operational programs. The categories have been sorted according to the functional areas in the previously provided exhibit.

Exempt Organizations financial structure contains two primary appropriations: Taxpayer Services and Enforcement. The labor and support funding is distributed to the following functional areas: 1C Taxpayer Communication and Education, 7A Compliance Services Management, 7G Tax Reporting Compliance – Field Exam, 8C Tax Law Interpretation & Published Guidance and 8E Rulings and Agreements. Functional Area 1 falls under Taxpayer Services, Functional Areas 7 and 8 fall under Enforcement.

- Taxpayer Comm & Education or Taxpayer Communication and Education (Functional Area 1C):
  - Encompasses Customer Education and Outreach (CE&O) staffing, which offers specialized education and outreach programs to help exempt organizations understand their tax responsibilities. CE&O oversees the Charities and Nonprofits pages of IRS.gov, develops publications and web-based materials, manages the Academic Institution Initiative, and offers face-to-face workshops and seminars on EO tax laws. In addition to CE&O core staff, subject-area experts from Examinations and Rulings and Agreements (R&A) support EO outreach efforts and augment CE&O's mission.
- Compliance Services Mgmt or Compliance Services Management (Functional Area 7A):
  - Encompasses EO Director's direct support staff, as well as the program staff.
- Tax Report Compliance – Fld or Tax Reporting Compliance - Field Exam (Functional Area 7G):
  - Includes resources to support services provided to taxpayer after a return is filed (post-filing stage), particularly for enforcement activities, including both compliance checks and audits of exempt organizations.
  - EO Examinations is made up of field exam groups; the Exempt Organization Compliance Unit (EOCU), which conducts compliance checks; Review of Operations (ROO), which does follow-up reviews of organizations; and Compliance Strategies Critical Initiative (CSCI), which coordinates EO's strategic planning, monitors progress of critical initiatives, and analyzes the results of these projects.
- International Exams (Functional Area 7Q):
  - Separate funding stream tracked due to IRS-wide initiative with other divisions, including LB&I.
  - Supports the international exam programs involving U.S. citizens residing abroad, non-resident aliens, expatriates, as well as examinations involving

other international issues, including legal support (e.g., Foreign Tax Credit, Foreign Earned Income Exclusion, Corporations, Non-Profits, Pension Plans, etc.).

- Tax Law Interpretation and/or Tax Law Interpretation and Published Guidance (Functional Area 8C):
  - Includes Guidance staff in Washington D.C., who provides direct support for interpretations of the tax law through published guidance, technical advice and other technical legal services.
- Rulings & Agreements (Functional Area 8E):
  - Includes Determinations staff in Cincinnati and Technical staff in Washington D.C., who are responsible for reviewing applications for exemption, issuing private letter rulings, providing technical advice, and collaborating with Chief Counsel's office and the Department of the Treasury to deliver formal guidance.

Question 1(c). Your staff requested additional information regarding the average length of a tax-exempt audit since 2008.

The average length of time for completing examination returns that were closed in FY 2011 is 210 days. The following are the average number of days for completing examination returns that were closed during FY 2008 – FY 2010:

- FY 2010: 225 days
- FY 2009: 267 days
- FY 2008: 264 days

Your staff also requested additional information regarding the use of Principal Issue Codes (PIC codes) in identifying issues for audit.

PIC codes are one of the indicators or ways to identify issues and trends. These codes are selected to capture the issues on which an agent spent time during the examination or that resulted in a change. The determination of which PIC codes are applicable to a particular case is a judgment made by the agent. The list of PIC codes we provided you

with my November 18, 2011 response is the same list our agents use. (The list is re-enclosed under Enclosure A for your convenience.) As part of their training, our agents are prepared to recognize legal issues that may arise during their examination of a tax return, and understand the relationship of the PIC codes to the issues.

We are providing IRM section 4.75.16.9 as Enclosure B. As discussed in my November 18, 2011 response, IRM section 4.75.16.9 provides guidance on the use of PIC codes, including which codes should be used in closing EO Examination cases. The IRM provides several specific examples on the correct use of these PIC codes, as well as addresses the use of PIC code 34 – "Other". We review the PIC codes as the sector changes and new areas develop to ensure our agents have the tools to accurately and consistently capture these new issues or trends.

Question 2(a). Your staff asked for more concrete examples regarding usage of data from Form 990 on the effect of enforcement and compliance.

As noted above, the Form 990 is a significant tool in our strategic planning as well as in examining tax-exempt organizations and in identifying tax-exempt organizations for exam. As discussed, the redesigned Form 990 includes information that was not included in the prior Form 990, including two key areas that we review frequently in examinations: governance and executive compensation. The IRS uses Form 990 information in all compliance projects, including the following:

- College and university project. The IRS sent 400 questionnaires to public and private four-year colleges and universities asking about their executive compensation practices, endowments, and unrelated business income, including how they allocate gains and losses among their taxable and non-taxable activities. As part of this project, the IRS is conducting examinations of approximately 34 colleges and universities, focusing on their organizational structures, exempt and unrelated business activities, endowments, executive compensation, and governance practices based, in part, on data from the questionnaires and Forms 990.

➢ Form 990-N mis-filer project. The Pension Protection Act of 2006 (PPA) added the Form 990-N (e-Postcard) filing requirement to ensure that the IRS and potential donors have current information about smaller tax-exempt organizations. Organizations with average annual gross receipts of $50,000 or less may elect to file the e-Postcard rather than the Form 990 or Form 990-EZ. A tax-exempt organization's filing obligations may change annually, depending on its levels of gross receipts and total assets. Based on information provided in Form 990-series returns regarding an organization's gross receipts, the IRS has identified organizations that filed the Form 990-N (e-Postcard) when they apparently should have filed Form 990 or 990-EZ for a particular year. The IRS is contacting these organizations to learn more about their current filing obligations before taking appropriate action.

➢ Community benefit reviews. The IRS is statutorily required to review the community benefit activities of hospital organizations at least once every three years. The IRS is reviewing Forms 990 in conducting these reviews. The IRS will continue to use the information gathered from the reviews for research, reporting, and compliance purposes, as well as to identify areas where additional guidance, education, and Form 990 changes may be needed.

➢ Section 501(c)(4), (5) and (6) organizations. Unlike section 501(c)(3) public charities that generally must apply to the IRS for recognition of tax exemption under section 508, section 501(c)(4), (5), and (6) organizations (social welfare organizations; labor, agricultural and horticultural groups; and business leagues such as a chamber of commerce) are not covered by Section 508, and may self-declare as tax-exempt organizations. The Form 990 has provided the IRS with additional information on all categories of tax-exempt organizations, including section 501(c)(4), (5) and (6) organizations. With the increased information available on the redesigned Form 990, we are looking at issues including political activity, inurement and the extent of compliance with the requirements for tax exemption by organizations that self-identified themselves as a section 501(c)(4), (5) or (6) organization.

➢ Charitable spending initiative. This project is designed to learn more about how charities raise and spend their funds. The IRS has selected certain organizations for examination under the first phase of the project using data from Form 990, including high levels of fundraising expenses coupled with relatively low levels of program service expenditures, high ratios of officer compensation in comparison to the organization's program service expenditures, and low levels of program service expenditures in comparison to the organization's total revenue.

➢ "Mutual" Organizations- The IRC §501(c)(12) Project. Organizations exempt under section 501(c)(12) include benevolent life insurance associations, mutual ditch or irrigation companies, and cooperative telephone companies. These organizations must collect at least 85 percent of their income from members for the sole purpose of meeting losses and expenses. The results of the member-income "test" determine the organization's yearly filing requirement. An organization should file Form 990 for the years in which it meets the 85 percent member-income test, and it should file Form 1120 for the years in which it fails to meet the test. The Forms 990 filed by some section 501(c)(12) organizations indicate that these organizations are not meeting the 85 percent member-income test every year. To address this issue, the IRS mailed questionnaires to affected organizations in early FY 2010, and 40 percent of the questionnaire respondents were selected for examination. We began conducting these examinations in FY 2011, and the examinations are still in process.

Question 2(c). Your staff requested additional information regarding IRS actions in response to taxpayer concerns on redesigned Form 990.

As discussed above, the Form 990 redesign was a collaborative effort in which the IRS sought and received extensive input from the public sector. The IRS met with nonprofit associations, state charity regulators, public interest groups, policymakers, and various representatives of the tax-exempt community. We redesigned the Form 990 based on input from both our own internal stakeholders (e.g., our Examinations and Submission Processing functions) and these external groups. Changes were made throughout the redesign process to address comments from stakeholders.

As discussed, we requested public comment on the draft redesigned Form in 2007, and on the draft instructions in 2008. In response, we received over 800 formal public comments. We have provided these comments in the two enclosed CD-ROMs: one contains pdf files of 2007 comments on the redesigned Form 990 (Enclosure C) and the second contains .pst files on draft instructions comments from 2008 as well as comments to the recent Announcement 2011-36 (Enclosure D). Based on feedback from these public comments, we made extensive revisions to the Form 990, schedules, and instructions to increase clarity and minimize burden. We are including copies of the background papers that detail some of these revisions as Enclosure E.

To help all filers become familiar with the Form and complete it more accurately, we developed multiple on-line educational resources (at IRS.gov/eo) describing how the Form had changed and tips for completing it. We have since added audio and video programs to further assist filers in understanding and completing the Form.

Although the major redesign of the Form 990 is complete, the IRS has continued to receive informal public comments on the form, schedules, and instructions, and to refine the Form, schedules, and instructions based on those comments. We have made clarifications, corrected errors, and added examples to make the Form easier to understand and complete. For instance, since the Form 990 was redesigned we have made further significant changes to the Form, schedules, and instructions in response to public comment that include:

- Eliminating supplemental Form 990 schedules that confused taxpayers (e.g., Schedule J-2) and instead asking taxpayers to provide supplemental information in new narrative sections to schedules and/or duplicate copies of schedules;

- Allowing a filer to answer "Yes" to Form 990, Part VI (Governance) questions on whether its governing boards adopted certain governance policies if such policies were

adopted by either the board or a committee of the board with authority to adopt the policies;

- Stating that the compensation columns in Form 990, Part VII (Compensation) should be left blank for short year returns in which there is no calendar year that ends within the short year, to reduce the compensation reporting burden for short year filers;

- Adding a new appendix containing activity codes for Form 990, Part VIII (Statement of Revenue) so that filers do not have to review Form 990-T instructions for these codes;

- Revising Form 990, Part XII (Financial Statements and Reporting) to allow Form 990 filers to report that they were included in consolidated financial statements that were compiled, reviewed, or audited by an independent accountant;

- Changing the definition of "interested person" for Form 990, Schedule L, Part IV business transaction reporting to exclude section 501(c)(3) organizations, which reduces the reporting burden of exempt organizations that have overlapping boards;

- Revising the definition of 'significant disposition of net assets' to exclude grants or assistance made in the ordinary course of the organization's exempt activities, thereby reducing the reporting required in Form 990, Schedule N (Dissolution or Significant Disposition of Assets); and

- Revising the definition of "related organization" so that a trust typically does not need to report on Form 990, Schedule R (Related Organizations) its trustee, if that trustee is a financial institution that is trustee of more than one trust.

Some taxpayers expressed concern that disclosure of certain types of information (e.g. compensation, related organizations, foreign activities) on Form 990 would violate expectations of privacy. In response to public comments, the IRS does not require

disclosure of any personal addresses, email addresses, phone numbers, or Social Security numbers on the redesigned Form 990. Also in response to public comment, Schedule F (Statement of Activities Outside the United States) does not require reporting of the names of the 990 filers' foreign grant recipients or the countries in which the filers conduct activities. In addition, based on responses to Announcement 2011-36, effective tax year 2011 we no longer require reporting of the names, employer identification numbers, or addresses of related charitable remainder trusts and other split-interest trusts in Schedule R (Related Organizations). We are currently considering other exceptions based on comments issued in response to Announcement 2011-36 (see below).

As described in our previous response, the IRS added a new Part V, Section B to the 2010 Form 990, Schedule H (Hospitals) to gather information related to new requirements for tax-exempt hospital facilities, and to related policies and practices. In response to comments from the public that more time was needed for the hospital community to familiarize itself with the new questions and gather the information needed to report, the IRS made the entire Schedule H, Part V, Section B optional for the 2010 tax year.

On June 2, 2011, the IRS requested public comment on 11 transitional issues and frequently asked questions involving the redesigned Form 990 in Announcement 2011-36. We have received just over 100 comments in response to Announcement 2011-36, and are now in the process of analyzing these comments. We have included these comments in the enclosed CD-ROM. Any changes in response to the comments will be made as appropriate on an ongoing basis to minimize potential burden while promoting compliance and transparency. We will continue to receive and review input on the Form 990, schedules, and instructions at Form990Revision@irs.gov.

Questions 2(g)(ii) and (iii). Your staff requested additional information relating to the auto-revocation list.

No auto-revoked taxpayer seeking reinstatement of tax-exempt status has been denied exemption to date. Of the larger organizations that requested retroactive reinstatement, as of March 1, 2012, approximately 21 had been retroactively reinstated. The remaining larger organizations were reinstated as of the postmark date of their reinstatement application.

Question 5(b)(iv). Your staff requested examination results information on the listed transaction disclosures discussed in my November 18, 2011 response. We expect to have this information shortly and will provide it in a supplemental response.

Question 5(c)(ii). Your staff requested additional information on how IRS is preparing for the report required under section 9007(e).

The IRS and the Department of Health and Human Services (HHS) have been collecting data to produce the reports to Congress required under Affordable Care Act section 9007(e). Affordable Care Act section 9007(e) requires the Secretary of the Treasury, in consultation with the Secretary of Health and Human Services, to submit to the Congress an annual report on levels of charity care provided by hospitals. The IRS and HHS are working together to prepare a report that includes information with respect to private tax-exempt, taxable, and government-owned hospitals regarding the levels of charity care, bad debt expenses, and un-reimbursed Medicare and Medicaid services. The staffs of IRS and HHS have discussed the sources of government data that may be available and presently plan to present data in the report from a combination of IRS and Centers for Medicare and Medicaid Services (CMS) data. When this data is available, we will begin the process of preparing the report.

As discussed above, effective for tax years starting in 2009, hospital organizations exempt from tax and described under Internal Revenue Code (IRC) section 501(c)(3) were required to file Form 990 Schedule H unless they were exempt from filing as a government unit. Such hospitals report costs of providing financial assistance and other

community benefits on Form 990 Schedule H. Depending on the start of a hospital organization's fiscal year and grants of extensions of time to file, due dates for timely filing 2009 Forms 990 could be as early as May 15, 2010, or in the case of an organization with a fiscal year that starts in December and has been granted two three-month extensions of time to file, as late as October 15, 2011.

Data from the Form 990 Schedule H is being prepared for statistical analysis by the IRS Statistics of Income division. It is expected that IRS data presented in the report will be extracted from the Tax Year 2009 Statistics of Income Exempt Organizations sample. We expect the data will be available in July 2012, at which time the IRS will begin to assemble the data for purposes of meeting the objectives of the report to transmit to Congress.

Critical access hospitals and short-term acute care hospitals are required to report to CMS charge and cost data associated with providing inpatient and outpatient hospital services for which the hospitals are not compensated by filing with CMS. We expect such data also to become available in 2012.

If you have any questions, please contact me or have your staff contact Floyd L. Williams at (202) 622-4725.

Sincerely,

Joseph H. Grant
Acting Commissioner

Enclosures