

**DESCRIPTION OF H.R. 9504,
THE “TAX EXEMPT HOSPITAL TRANSPARENCY ACT”**

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HOUSE COMMITTEE ON WAYS AND MEANS
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INTRODUCTION

The House Committee on Ways and Means has scheduled a committee markup for July 1, 2026, of H.R. 9504, the “Tax Exempt Hospital Transparency Act.” This document,¹ prepared by the staff of the Joint Committee on Taxation, provides a description of this bill.

¹ This document may be cited as follows: Joint Committee on Taxation, *Description of H.R. 9504, the “Tax Exempt Hospital Transparency Act”* (JCX-26-26), June 29, 2026. This document can also be found on the Joint Committee on Taxation website at www.jct.gov. All section references in the document are to the Internal Revenue Code of 1986, as amended (the “Code”), unless otherwise stated.

A. Information Reporting by Hospital Organizations

Present Law

Tax exemption

Organizations described in section 501(c)(3), also referred to as charitable organizations, generally are exempt from Federal income tax, are eligible to receive tax deductible contributions,² have access to tax-exempt financing through State and local governments (described in more detail below),³ and generally are exempt from State and local taxes. A charitable organization must operate primarily in pursuit of one or more tax-exempt purposes constituting the basis of its tax exemption.⁴ The Code specifies such purposes as religious, charitable, scientific, educational, literary, testing for public safety, to foster international amateur sports competition, or for the prevention of cruelty to children or animals. In general, an organization is organized and operated for charitable purposes if it provides relief for the poor and distressed or the underprivileged.⁵

The Code does not provide a *per se* exemption for hospitals. Rather, a hospital qualifies for exemption if it is organized and operated for a charitable purpose and otherwise meets the requirements of section 501(c)(3).⁶ The promotion of health has been recognized by the IRS as a charitable purpose that is beneficial to the community as a whole.⁷ It includes not only the establishment or maintenance of charitable hospitals, but also clinics, homes for the aged, and other providers of health care.

Since 1969, the IRS has applied a “community benefit” standard for determining whether a hospital is charitable.⁸ According to Revenue Ruling 69-545, community benefit can include, for example: maintaining an emergency room open to all persons regardless of ability to pay; having an independent board of trustees composed of representatives of the community; operating with an open medical staff policy, with privileges available to all qualifying

² Sec. 170.

³ Sec. 145.

⁴ Treas. Reg. sec. 1.501(c)(3)-1(c)(1).

⁵ Treas. Reg. sec. 1.501(c)(3)-1(d)(2).

⁶ Although nonprofit hospitals generally are recognized as tax-exempt by virtue of being “charitable” organizations, some might qualify for exemption as educational or scientific organizations because they are organized and operated primarily for medical education and research purposes.

⁷ Rev. Rul. 69-545, 1969-2 C.B. 117; see also Restatement (Second) of Trusts secs. 368, 372 (1959); see Shane T. Hamilton and Bruce R. Hopkins, *The Law of Tax-Exempt Organizations*, sec. 7.6 (13th ed. 2025) (discussing various forms of health-care providers that may qualify for exemption under section 501(c)(3)).

⁸ Rev. Rul. 69-545, 1969-2 C.B. 117. From 1956 until 1969, the IRS applied a “financial ability” standard, requiring that a charitable hospital be “operated to the extent of its financial ability for those not able to pay for the services rendered and not exclusively for those who are able and expected to pay.” Rev. Rul. 56-185, 1956-1 C.B. 202.

physicians; providing charity care; and utilizing surplus funds to improve the quality of patient care, expand facilities, and advance medical training, education, and research.

Although section 501(c)(3) hospitals generally are exempt from Federal tax on their net income, such organizations are subject to the unrelated business income tax on income derived from a trade or business regularly carried on by the organization that is not substantially related to the performance of the organization's tax-exempt functions.⁹ In general, interest, rents, royalties, and annuities are excluded from the unrelated business income of tax-exempt organizations.¹⁰

Charitable contributions

In general, a deduction is permitted for charitable contributions, including charitable contributions to tax-exempt hospitals, subject to certain limitations that depend on the type of taxpayer, the property contributed, and the donee organization. The amount of deduction generally equals the fair market value of the contributed property on the date of the contribution. Charitable deductions are provided for income, estate, and gift tax purposes.¹¹

Tax-exempt financing

In addition to issuing tax-exempt bonds for government operations and services, State and local governments may issue tax-exempt bonds to finance the activities of charitable organizations described in section 501(c)(3). Because interest income on tax-exempt bonds is excluded from gross income, investors generally are willing to accept a lower pre-tax rate of return on such bonds than they might otherwise accept on a taxable investment. This, in turn, lowers the cost of capital for the users of such financing. Both capital expenditures and limited working capital expenditures of charitable organizations described in section 501(c)(3) generally may be financed with tax-exempt bonds. Private, nonprofit hospitals frequently are the beneficiaries of this type of financing.

Bonds issued by State and local governments may be classified as either governmental bonds or private activity bonds. Governmental bonds are bonds the proceeds of which are primarily used to finance governmental functions or which are repaid with governmental funds. Private activity bonds are bonds in which the State or local government serves as a conduit providing financing to nongovernmental persons (*e.g.*, private businesses or individuals). For these purposes, the term "nongovernmental person" generally includes the Federal government and all other individuals and entities other than States or local governments, including section 501(c)(3) organizations. The exclusion from income for interest on State and local bonds does not apply to private activity bonds, unless the bonds are issued for certain permitted purposes ("qualified private activity bonds") and other Code requirements are met.

⁹ Secs. 511-514.

¹⁰ Sec. 512(b).

¹¹ Secs. 170, 2055, and 2522, respectively.

Reporting and disclosure requirements

Exempt organizations are required to file an annual information return, stating specifically the items of gross income, receipts, disbursements, and such other information as the Secretary of the Treasury (the “Secretary”) may prescribe.¹² Section 501(c)(3) organizations that are classified as public charities must file Form 990 (Return of Organization Exempt From Income Tax),¹³ including Schedule A, which requests information specific to section 501(c)(3) organizations.

An organization described in section 501(c) or (d) generally is also required to make available for public inspection for a period of three years a copy of its annual information return (Form 990) and exemption application materials.¹⁴ This requirement is satisfied if the organization has made the annual return and exemption application widely available (*e.g.*, by posting such information on its website).¹⁵

Additional requirements for hospital organizations

In general

Hospital organizations must meet additional requirements with respect to community health needs assessments, financial assistance policies, limitations on charges, and collection processes in order to be treated as a section 501(c)(3) organization.¹⁶ A hospital organization that fails to meet one or more of these requirements with respect to one or more hospital facilities it operates may have its section 501(c)(3) status revoked as of the first day of the taxable year in which the failure occurs.¹⁷

The term “hospital organization” means an organization recognized (or seeking to be recognized) as described in section 501(c)(3) that operates one or more hospital facilities.¹⁸ The term “hospital facility” means a facility that is required by a state to be licensed, registered, or similarly recognized as a hospital.¹⁹

¹² Sec. 6033(a). An organization that has not received a determination of its tax-exempt status, but that claims tax-exempt status under section 501(a), is subject to the same annual reporting requirements and exceptions as organizations that have received a tax-exemption determination.

¹³ Social welfare organizations, labor organizations, agricultural organizations, horticultural organizations, and business leagues are subject to the generally applicable Form 990, Form 990-EZ, and Form 990-T annual filing requirements.

¹⁴ Sec. 6104(d).

¹⁵ Sec. 6104(d)(4); Treas. Reg. sec. 301.6104(d)-2(b).

¹⁶ Sec. 501(r).

¹⁷ Treas. Reg. sec. 1.501(r)-2(a).

¹⁸ Treas. Reg. sec. 1.501(r)-1(b)(18).

¹⁹ Treas. Reg. sec. 1.501(r)-1(b)(17).

Community health needs assessment

Each hospital facility is required to conduct a community health needs assessment at least once every three taxable years and adopt an implementation strategy to meet the community needs identified through such assessment.²⁰ The assessment may be based on current information collected by a public health agency or non-profit organization and may be conducted together with one or more other organizations, including related organizations. The assessment process must take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge or expertise of public health issues. The hospital must disclose on Schedule H of its Form 990 how it is addressing the needs identified in the assessment and, if all identified needs are not addressed, the reasons why (*e.g.*, lack of financial or human resources).²¹ Each hospital facility is required to make the assessment widely available. Failure to complete a community health needs assessment in any applicable three-year period results in a \$50,000 excise tax on the organization.²²

Financial assistance policy

Each hospital facility is required to adopt, implement, and widely publicize a written financial assistance policy.²³ The financial assistance policy must indicate the eligibility criteria for financial assistance and whether such assistance includes free or discounted care. For those eligible for discounted care, the policy must indicate the basis for calculating the amounts that will be billed to such patients. The policy must also indicate how to apply for such assistance. If a hospital does not have a separate billing and collections policy, the financial assistance policy must also indicate what actions the hospital may take in the event of non-response or non-payment, including collections action and reporting to credit rating agencies. Each hospital facility also is required to adopt and implement a policy to provide emergency medical treatment to individuals, regardless of their eligibility under the financial assistance policy.

Limitation on charges

Each hospital facility is permitted to bill for emergency or other medically necessary care provided to individuals who qualify for financial assistance under the facility's financial assistance policy no more than the amounts generally billed to individuals who have insurance covering such care.²⁴ A hospital facility may not use gross charges (*i.e.*, "chargemaster" rates) when billing individuals who qualify for financial assistance.

²⁰ Sec. 501(r)(3).

²¹ Sec. 6033(b)(15)(A).

²² Sec. 4959. Hospital organizations must include a statement of the amount of excise tax imposed on the organization during the taxable year under section 4959 on Schedule H of their Form 990. Sec. 6033(b)(10)(D).

²³ Sec. 501(r)(4).

²⁴ Sec. 501(r)(5). See Treas. Reg. sec. 1.501(r)-5(b) for a description of the two methods that a hospital facility may use in determining the "amounts generally billed."

Collection processes

A hospital facility (or its affiliates) may not undertake extraordinary collection actions (“ECA”) (even if otherwise permitted by law) against an individual without first making reasonable efforts to determine whether the individual is eligible for assistance under the hospital’s financial assistance policy.²⁵ The term “ECA” includes (1) certain sales of an individual’s debt to another party, (2) reporting adverse information about the individual to consumer credit reporting agencies or credit bureaus, (3) deferring, denying, or requiring a payment before providing medically necessary care due to an individual’s nonpayment of one or more bills for previously provided care covered under the facility’s financial assistance program, and (4) actions that require a legal or judicial process (*e.g.*, placing a lien on an individual’s property, commencing a civil action, garnishing an individual’s wages).²⁶ In general, a hospital facility has made “reasonable efforts” to determine whether an individual is eligible for its financial assistance program by making presumptive eligibility determinations based on third-party information or prior financial assistance policy determinations or by notifying the individual about the financial assistance policy and refraining from initiating an ECA for at least 120 days from the date of the first post-discharge billing statement.²⁷

Additional reporting requirements

In addition to the reporting requirements discussed above, Schedule H (Form 990) requires hospital organizations to report information regarding each of its hospital facilities’ financial assistance policy, billing and collections, and emergency medical care policy. Hospital organizations must also report the amount of financial assistance and certain other community benefits it provided, the community building activities it conducted during the tax year, its bad debt expense, and certain management company and joint venture arrangements. Each hospital organization must file a copy of its audited financial statements (or, in the case of an organization the financial statements of which are included in a consolidated financial statement with other organizations, such consolidated financial statements) with Form 990.²⁸

Description of Proposal

The proposal requires tax exempt hospital organizations to report additional information on their Form 990. The proposal also imposes additional reporting requirements on tax exempt hospital organizations that are large tax exempt hospital organizations or high revenue tax exempt hospital organizations.

The information required to be furnished under the proposal is treated as information required to be furnished under section 6033 and is generally subject to public inspection.

²⁵ Sec. 501(r)(6).

²⁶ Treas. Reg. sec. 1.501(r)-6(b)(1).

²⁷ See Treas. Reg. sec. 1.501(r)-6(c).

²⁸ Sec. 6033(b)(15)(B).

Reporting requirements for tax exempt hospital organizations

Under the proposal, a tax exempt hospital organization must include additional information on its Form 990. The term “tax exempt hospital organization” means, with respect to a taxable year, an organization to which the requirements of section 501(r) apply and which is required to file a return under section 6033(a) for a taxable year.

A tax exempt hospital organization must include on its Form 990 for a taxable year: (1) a description of how it is addressing the needs identified in its most recent community health needs assessment conducted under section 501(r)(3) and a description of any such needs that are not being addressed together with the reasons why those needs are not being addressed; (2) its audited financial statements; (3) the organization’s Center for Medicare and Medicaid Services (“CMS”) certification number (or other such identifying information as the Secretary may require); (4) the value, at cost, of the financial assistance provided during the taxable year pursuant to the organization’s financial assistance policy;²⁹ and (5) the numbers of completed financial assistance applications received, granted, and denied during the taxable year pursuant to the financial assistance policy. Under present law, hospital organizations subject to the requirements of section 501(r) are required to report items (1) and (2) only.

Except as otherwise provided by the Secretary, large tax exempt hospital organizations and high revenue tax exempt hospital organizations must provide the information described in (1), (3), (4), and (5) above with respect to the organization and separately stated with respect to each hospital facility operated by the organization. The term “large tax exempt hospital organization” means, with respect to a taxable year, any organization that is a tax exempt hospital organization for the taxable year, is not a critical access hospital³⁰ or rural emergency hospital³¹ for the taxable year, and has more than 100 staffed inpatient beds.³² The term “high revenue tax exempt hospital organization” means, with respect to a taxable year, any organization that is a tax exempt hospital for the taxable year, is not a critical access hospital³³ or rural emergency hospital³⁴ for the taxable year, and has net patient revenue (determined in such manner as the Secretary may provide) for the taxable year of more than \$100 million (adjusted for inflation).

²⁹ As described in section 501(r)(4).

³⁰ As defined in section 1861(mm)(1) of the Social Security Act (“SSA”).

³¹ As defined in section 1861(kkk)(2) of the SSA.

³² As reported in any cost report under section 1815 of the SSA with respect to any portion of the taxable year or any portion of any of the three preceding taxable years.

³³ As defined in section 1861(mm)(1) of the SSA.

³⁴ As defined in section 1861(kkk)(2) of the SSA.

Additional reporting for large tax exempt hospital organizations

Large tax exempt hospital organizations must include additional information on Form 990.

Under the proposal, a large tax exempt hospital must report on its Form 990 (1) the three highest priority health needs identified in the organization's most recent community health needs assessment conducted under section 501(r)(3), the amount of spending during the taxable year on programs designed to address each such need, and a description of actions taken during the taxable year to meet each such need and the impact of those actions on community health; and (2) the amount of spending by the organization on quality improvement, nonclinical programming, and such other community benefits as the Secretary may prescribe. Except as otherwise provided by the Secretary, this information must be provided with respect to the organization and separately stated with respect to each hospital facility operated by the organization.

The term "quality improvement" means any program, initiative, or department, with the primary purpose of improving health outcomes for patients of the organization, which may include education, training, compliance with quality improvement programs (such as quality improvement programs under the Medicare program under title XVIII of the SSA), and technical assistance.

The term "nonclinical programming" means any program, initiative, or department, with a purpose other than the purpose of improving health outcomes for patients, and which is related to (1) administrative support and management; (2) information technology, hospital administration, human resources, medical billing and coding, public affairs and communications, government affairs and lobbying, regulatory compliance, or financial planning and budgeting; (3) operations and facilities management; (4) programming related to patient experience, patient education, family support, or financial counseling; or (5) discharge planning and appointment scheduling.

Additional reporting for high revenue tax exempt hospital organizations

High revenue tax exempt hospital organizations must also include on their Form 990 specified advertising information, specified health service line information, and, in the case of an organization which is a covered entity described in section 340B of the Public Health Service Act ("PHSA"), the specified Federal 340B drug discount program information. Except as otherwise provided by the Secretary, the information must be provided with respect to the organization and separately stated with respect to each hospital facility operated by the organization.

The term "specified advertising information" means the allowable and unallowable advertising costs as reported to CMS for purposes of cost reimbursement.

The term "specified health service line information" means (1) a description of each health service line of the organization, (2) the amount of gross receipts generated by each such health service line, and (3) the costs of each health service line (and, in the case of costs that are shared by one or more health service lines, an explanation of how costs are allocated). The term

“health service line” means a discrete clinical program, department, or care category operated by the organization that (A) serves a defined patient population grouped by disease category, organ system, care setting, or clinical specialty; (B) delivers a distinct set of medical or health services through dedicated or allocated staff, facilities, or equipment; and (C) is separately tracked or identifiable in the organization’s internal cost accounting, service line management, or operational reporting systems. There is a rebuttable presumption that any cost center separately identified on the organization’s most recently filed cost report under section 1815 of the SSA is a health service line. The Secretary of Health and Human Services, in consultation with the Secretary, must publish within two years after the date of enactment a standardized health service line taxonomy to which high revenue tax exempt hospital organizations must map their internally defined health service lines on their returns under section 6033. The Secretary of Health and Human Services, in consultation with the Secretary, must update the taxonomy at least every five years.

The term “specified Federal 340B drug discount program information” means (1) the total number of individuals, by their type of insurance coverage, who were dispensed or administered covered outpatient drugs during the taxable year that were subject to an agreement under section 340B of the PHSA, (2) the aggregate net 340B payment amount with respect to drugs subject to the agreement dispensed or administered by the organization during the taxable year, and (3) the aggregate costs incurred to participate in the section 340B program and comply with the program’s requirements. The term “covered outpatient drug” has the same meaning as in section 340B(b) of the PHSA.³⁵ The term “aggregate net 340B payment amount” means, with respect to a covered outpatient drug purchased by an organization under an agreement under section 340B of the PHSA and dispensed or administered to an individual by the organization, the excess (if any) of the total amount of payments received from any payor by the organization for the drug, over the ceiling price³⁶ of the drug (or, if less, the price at which the organization acquired the drug).

The Secretary must coordinate with the Administrator of CMS to carry out the purposes of the specified advertising information and specified health service line information reporting and with the Administrator of the Health Resources and Services Administration to carry out the purposes of the specified Federal 340B drug discount program information reporting.

No inference

The proposal provides that no inference is intended with respect to the proper application of section 340B of the PHSA, section 501(c)(3) or 501(r) of the Code, or of any operational test or of the private benefit doctrine.

³⁵ The term “covered outpatient drug” is defined in the section 340B of the PHSA by reference to section 1927(k) of SSA (42 U.S.C. sec. 1396r-8(k)(2)). 42 U.S.C. sec. 256b(b)(1).

³⁶ As described in section 340B(a)(1) of the PHSA.

Effective Date

The proposal generally applies to taxable years beginning after the date that is one year after the date of the publication of the first standardized health service line taxonomy.

In the case of a tax exempt hospital organization which is neither a large tax exempt hospital organization nor a high revenue tax exempt hospital organization, the requirements to report the value, at cost, of the financial assistance provided during the taxable year pursuant to the organization's financial assistance policy and the numbers of completed financial assistance applications received, granted, and denied during the taxable year pursuant to the organization's financial assistance policy apply to taxable years beginning after the date that is three years after the date of enactment.

B. GAO Report

Present Law

There is no requirement under present law for the Comptroller General of the United States to produce a report relating to the matters addressed by the proposal.

Description of Proposal

During the one-year period beginning three years after the date of enactment, the Comptroller General of the United States must initiate a study and subsequently report to the Committee on Ways and Means of the House of Representative and the Committee on Finance of the Senate (1) an estimate of the additional labor and resource costs of the Department of the Treasury to administer and of the additional costs of tax exempt hospital organizations³⁷ to comply with the reporting requirements added by the amendments made by this Act; and (2) with respect to the 25 tax exempt hospital organizations that have the highest amount of gross revenue, the estimated amount of tax which would be imposed under chapter 1 of the Code with respect to each organization if the organization were not exempt from such tax.

Effective Date

The proposal is effective on date of enactment.

³⁷ As defined in section 6033A(d)(1) of the Code, as added by this Act.

C. Estimated Revenue Effects of the Proposal

The staff of the Joint Committee on Taxation estimates the proposal to have a negligible effect on Federal fiscal year budget receipts.