



Maryland
Hospital Association

HOSPITALS' TAX-EXEMPT STATUS THE FOUNDATION OF COMMUNITY CARE

THE ISSUE

Every acute care hospital in Maryland is a not-for-profit, tax-exempt organization that meets its mission of care by tailoring services to the specific needs of the community. Across the country, tax exemption has traditionally been and remains to this day the bedrock of hospitals' ability to provide the kind of care and services that no other entity can provide: disaster readiness and response, intensive care, emergency departments open 24/7, and much more. On top of this is billions of dollars in community benefits – from wellness programs and community outreach to research, medical education and services like high-level trauma care and neonatal intensive care – \$1.6 billion in benefits made possible by Maryland hospitals' tax exempt status.

Hospitals' tax-exempt status is similar to that of many other local, charitable organizations like churches and foundations. And because Maryland is the only state in the nation that regulates hospital rates, our hospitals already are among the most regulated entities in Maryland. The reporting of community benefits is already as transparent as all the other financial information that state agencies publish about hospitals. Maryland, in fact, has been a leader in best practices on the reporting of charity care and community benefit.

Efforts in the last General Assembly to question this status by comparing the value of hospitals' tax exemption to the community benefits they provide failed at least in part because they were unwieldy – the value of tax exemption is very difficult to quantify, and community benefits are typically an incomplete accounting of all that hospitals do to earn IRS tax exemption. Such a reporting requirement would therefore result in misunderstanding and confusion of a complex topic, one that would unnecessarily divert limited resources away from critical medical services. Furthermore, the potential loss of this critical exemption would force hospitals to consider diverting resources from the other important community benefits already being provided, or seek rate increases to offset those additional expenses.

WHAT HOSPITALS ARE FOR

Support hospitals' ability to continue reinvesting scarce health care dollars into the care their communities need. Reject attempts to confuse the public and lawmakers by jeopardizing the tax-exempt status that allows hospitals to serve their communities in the lifesaving ways that no other entities can.

