

Group of Bipartisan Senators Inquire Into the Oversight of Nonprofit Hospitals' Tax-Exempt Requirements and Compliance

Article By:

Beth L. Goldstein

Demonstrating that hospital finances and billing practices continue to be of interest to federal lawmakers, on August 7, a group of bipartisan senators [sent letters](#) to the Internal Revenue Service (IRS) and the Treasury Inspector General for Tax Administration (TIGTA) questioning the oversight of nonprofit hospitals. Sens. Elizabeth Warren (D-MA), Chuck Grassley (R-IA), Raphael Warnock (D-GA), and Bill Cassidy (R-LA) requested an evaluation of these hospitals' compliance with tax-exempt requirements, noting they "are alarmed by reports that despite their tax-exempt status, certain nonprofit hospitals may be taking advantage of this overly broad definition of 'community benefit' and engaging in practices that are not in the best interest of the patient. These practices – along with lax federal oversight – have allowed some nonprofit hospitals to avoid providing essential care in the community for those who need it most."

According to the American Hospital Association, more than half of the United States' approximately 5,000 community hospitals operate as private, nonprofit organizations. Nonprofit hospitals may apply for or maintain tax exemptions if they provide "benefits to a class of persons that is broad enough to benefit the community," according to the IRS. To highlight what they believe are oversight challenges and insufficiencies with the IRS' community benefit standard, the senators cited various studies and investigations scrutinizing patient costs and medical debt stemming from services provided at nonprofit hospitals, including recent reports by the *New York Times*.

Among other inquiries, the senators requested lists of nonprofit hospitals that (1) the IRS referred to its audit division for potential Patient Protection and Affordable Care Act (ACA) violations from Fiscal Year (FY) 2019 to FY 2022; (2) lost their tax-exemption due to noncompliance with the community benefit standard since the full implementation of the ACA on January 1, 2014; (3) had their IRS Form 990 rejected for failing to meet requirements related to community benefit reporting; and (4) failed to file an annual Form 990 with the IRS between FY 2019 to FY 2022. They also "urge[d] TIGTA to evaluate compliance with the tax-exempt requirements in its 2024 audit plan" and requested TIGTA provide a briefing to their offices on the opportunities to improve oversight of hospitals' tax-exempt status.

With a slim Democratic majority in the Senate and a narrow Republican majority in the House of Representatives, bipartisan initiatives gain traction more easily than partisan priorities. Many

senators, including Sen. Grassley, have probed the issue of nonprofit hospital tax exemptions for years, and House lawmakers have been focusing on hospital transparency issues over the past year. With Senate Majority Leader Chuck Schumer (D-NY) suggesting he is interested in a package of health-related legislation this year, stakeholders and other interested parties should monitor this issue carefully for potential legislation stemming from these oversight actions.

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