

Georgia HEART Grand Slam

1. Financial Support to a rural hospital
2. A federal business expense deduction
3. A 100% Georgia income tax credit
4. Build business and community goodwill

Through the Georgia HEART Hospital Program, “C” Corporations and Pass-Through Businesses Can Make a Business Payment That Benefits Their Local Rural Hospitals

Federal “Safe Harbor” Business Expense Deduction

When a business that pays state income taxes (e.g., a “C” corporation) makes a payment to a charitable organization, and receives a corresponding state income tax credit, the IRS will treat the business as making an ordinary and necessary business payment for which it can take a federal deduction. IRS Rev. Proc. 2019-12.

Federal “Facts and Circumstances” Business Expense Deduction

In cases where a pass-through business entity (i.e., a limited liability company, partnership, or “S” corporation) does *not* pay state income taxes, under certain “facts and circumstances,” the business may be able to take a federal deduction for “ordinary and necessary” business payments made to a charitable organization. Under IRC § 162, businesses are able to deduct payments that bear a direct relationship to the taxpayer’s trade or business and are made with a reasonable expectation of financial return commensurate with the amount of the transfer. Treas. Reg. § 1.170A-1(c)(5). The amount of the business expense deduction reduces the net income on which the owners of the business are taxed.

Documenting the Business Expense

Businesses seeking to claim a business expense deduction for payments to charitable organizations should contemporaneously document the business and financial rationale for making such payments. If, by making a payment to a rural hospital organization, the business expects to build brand awareness, increase customer or client loyalty, earn community goodwill, develop more business, and/or retain and recruit employees, the business should estimate and document the value of those expected outcomes.

A Rural Hospital Tax Credit for the Business Owners

In addition to benefiting from the federal business expense deduction taken by the business, as a result of recently adopted Georgia Department of Revenue Rule 560-7-8-.57, the owner of a pass-through business can apply for a Georgia HEART Rural Hospital Tax Credit corresponding to his or her percentage ownership share of the payment the business makes to the rural hospital.

Consult with Your Tax Advisor

The Georgia HEART Grand Slam is an exciting tax planning opportunity about which we recommend that you consult with your tax professional. After doing so, we encourage you to contact us with any questions or to proceed to www.georgiaheart.org to apply, as a pass-through owner, for a Georgia HEART credit for a business payment to a qualified rural hospital organization.