

**From:** Georgia HEART <heart@georgiaheart.org>

**Sent:** Tuesday, December 17, 2019 11:22 AM

**Subject:** IRS Proposed Regulations Confirm Business Deduction for HEART Hospital Contributions



Dear Georgia Tax and Financial Advisors,

As confirmed in newly proposed federal regulations, by making a payment to a qualified Georgia HEART rural hospital, your business clients may be eligible to receive a federal business expense deduction and, for the business owners, a 100% Georgia income tax credit. In addition to these income tax benefits, to publicly evidence their support for improving conditions in Georgia and to build community goodwill, clients that make a business payment of \$10,000 or more to a Georgia HEART hospital will receive a "We Have a HEART for Georgia" sticker to display at their place of business and will have a right to use that service mark on their website and other marketing materials.

The Internal Revenue Service ("IRS") has published [proposed regulations](#) confirming that a payment made by a pass-through business entity to a charitable organization that bears a direct relationship to the taxpayer's trade or business and that is made with a reasonable expectation of financial return commensurate with (but, according to the IRS, not necessarily equal to) the amount of the payment or transfer may constitute an allowable deduction as a trade or business expense (rather than a charitable contribution deduction under section 170). Under the Proposed Regulations, the federal business expense deduction will be available even in cases where the owners of the business entity receive a corresponding state income tax credit for the business payment.

Moreover, an example (Example 2 at §1.162-15(a)(2)(ii)) on page 30 of the Proposed Regulations makes it clear that the federal business expense deduction may be available for payments made by a business located in a state “for use in projects that improve conditions in the state.” If the business “reasonably believes the program will generate a significant degree of name recognition and goodwill in the communities where it operates and thereby increase its revenue,” a federal business expense deduction (and Georgia income tax credit for the owners) may be available *even though the business does not have a business relationship with the charitable organization*. Thus, if a "HEART for Georgia" business located in metro Atlanta believes that supporting one or more rural hospitals elsewhere in Georgia will generate a significant degree of name recognition and goodwill among its rural and/or metro Atlanta customers, clients, or patients, then a federal business expense deduction may be available.

As approximately \$17 million of the annual \$60 million in Georgia HEART credits remain available for 2019, and there is presently no limit on the amount of credits for which pass-through business owners may apply with respect to payments made by their business entities, we urge you to inform your clients about this year-end tax planning opportunity to become a "HEART for Georgia" business partner. The online application process, which takes only a minute to complete, is available [HERE](#).

[View IRS Proposed Regulations](#)

[Apply for a 2019 HEART Tax Credit](#)