



PERFORMANCE AUDIT • REPORT NUMBER 24-01 • JUNE 2024

## Rural Hospital Tax Credit

Credit administration largely consistent with statutory requirements

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**DOAA**  
Georgia Department  
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## Performance Audit Division

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### Why we did this review

O.C.G.A. § 48-7-29.20 requires the Department of Audits and Accounts to conduct an annual audit of the Rural Hospital Tax Credit (RHTC) program that includes the following:

1. All contributions received by rural hospital organizations;
2. All tax credits received by individual and corporate donors; and
3. All amounts received by third parties that solicited, administered, or managed donations pertaining to O.C.G.A. §§ 48-7-29.20 and 31-8-9.1.

### About the Rural Hospital Tax Credit

The RHTC was established in 2017 and allows taxpayers to donate to eligible rural hospitals and reduce their state income tax liability by the amounts they donate. Taxpayers may choose a specific hospital or, if one is not designated, the hospital will be chosen based on a ranking of need.

The Department of Revenue (DOR) administers portions of the RHTC related to taxpayer eligibility criteria, and the Department of Community Health (DCH) administers portions related to hospital eligibility criteria. A third-party vendor provides services to hospitals and contributors but is under contract with hospitals, not the state, for these services.

## Rural Hospital Tax Credit

### Credit administration largely consistent with statutory requirements

#### What we found

Taxpayer credits nearly reached the annual program cap of \$75 million in tax year 2023. In 2022, hospitals reported spending nearly \$58.1 million and having another \$40 million in donations still available for future years. Finally, hospitals, state agencies, and other entities with program responsibilities were largely compliant with program requirements.

#### **Contributions to rural hospitals totaled \$72.4 million in 2023.**

In tax year 2023, taxpayers contributed \$72.4 million to eligible rural hospitals. The amount contributed to each hospital varied significantly, ranging from approximately \$52,000 to nearly \$4.0 million.

Rural hospital tax credit (RHTC) collections vary significantly across the hospitals. In 2023, 28 of the 55 eligible hospitals received more than \$1 million in contributions, and 9 received less than \$500,000. Most contributions were directed by donors and not necessarily to the neediest hospitals as designated by the Department of Community Health (DCH). Five of the 10 neediest hospitals received less than the average contribution per hospital of \$1.3 million.

Contributions not designated for a specific hospital by donors were distributed to the neediest hospital on the DCH list (Irwin County Hospital).

#### **Hospitals spent \$58 million in RHTC funds and had \$40 million in unspent funds in 2022.**

Hospitals reported to DCH that the largest proportion of RHTC funds were spent on capital assets or regular operating expenses in 2022. Hospitals reported \$40 million in unspent RHTC funds, close to the amount reported in 2021. Twenty-five of the 55 hospitals reported unspent funds, with the amounts ranging from \$10,000 to \$7.2 million. Hospitals are

not required to spend funds within a specific timeframe, and information from the hospitals indicated that most funds are designated to be used for capital projects, equipment purchases, and the recruitment of medical professionals.

***Entities have improved controls and were generally in compliance with state law, but controls should continue to be strengthened.***

DCH verified that all 55 rural hospitals receiving contributions in tax years 2022 and 2023 were eligible based on the criteria established in state law. Based on last year's audit recommendations, DCH added clarifying information to its reporting template and modified its work processes to help improve the accuracy of hospitals' reported amounts for contributions, expenditures, third-party fees paid, and unspent funds. All hospitals provided DCH with required documentation to establish eligibility and report contributions and expenditures. We found that one hospital did not submit all required documents by the established deadline; however, after our inquiry, DCH determined the hospital would have otherwise been eligible and compliant if it had.

Total RHTC contributions did not exceed the \$75 million program limit, and no individual hospital received contributions exceeding the \$4 million hospital limit. The hospital with the highest RHTC contribution total in tax year 2023—Colquitt Regional Medical Center—received nearly \$4 million. Department of Revenue (DOR) controls ensure that individual hospital limits and the annual aggregate credit limits are not exceeded. However, we identified a small amount of credits—approximately \$335,000, or 0.1% of all credits between tax years 2018 and 2023—that were available to be claimed due to erroneous contribution reports or because corporate credits exceeded statutory limits. Controls should continue to be strengthened to ensure that credits available to taxpayers align with contribution amounts and statutory requirements.

All 55 rural hospitals contracted with the Georgia HEART Hospital Program, LLC (Georgia HEART) to provide services such as marketing the credit to taxpayers, processing taxpayer preapproval requests, processing contributions, and assisting hospitals with required reporting to DOR and DCH. Georgia HEART charged rural hospitals a 3% fee as permitted by state law (\$1.76 million in fee revenue), and hospitals reported the same to DCH. We found a limited number of errors in Georgia HEART's reporting to DOR that impact available credits. These errors occurred because there is no mechanism for Georgia HEART to correct reporting made to DOR.

### **What we recommend**

We recommend that DOR create a mechanism to allow contribution reports to be amended and that Georgia HEART file amended reports when applicable. We also recommend that DOR strengthen controls related to contributions that are not made and statutory limits related to tax liability.

See **Appendix A** for a detailed listing of recommendations.

***Agency Response:*** *The Department of Community Health agreed with the findings. The Department of Revenue agreed with the findings and recommendations. Georgia HEART generally agreed with the findings and recommendations and provided technical corrections that were incorporated into the report.*

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## Purpose of the Audit

O.C.G.A. § 48-7-29.20 requires the Department of Audits and Accounts to conduct an annual audit of the Rural Hospital Tax Credit (RHTC) program. The review must include:

1. All contributions received by rural hospital organizations;
2. All tax credits received by individual and corporate donors; and
3. All amounts received by third parties that solicited, administered, or managed donations pertaining to O.C.G.A. §§ 48-7-29.20 and 31-8-9.1.

A description of the objectives, scope, and methodology used in this review is included in **Appendix B**. A draft of the report was provided to the Department of Revenue, the Department of Community Health, and Georgia HEART for their review, and pertinent responses were incorporated into the report.

## Background

### Rural Hospitals

The Rural Hospital Tax Credit (RHTC) was established to provide financial support to rural hospitals by allowing Georgia taxpayers to contribute to eligible rural hospitals and receive a tax credit. It became effective January 1, 2017.

Rural hospitals in Georgia face financial challenges; eight have closed since 2010.<sup>1</sup> Closures can occur for several reasons. Rural communities suffer from depopulation, resulting in fewer hospital patients. Additionally, rural hospitals often have a high share of patients who either lack insurance or are on Medicaid, which has lower reimbursement rates than most group insurance. In recent years, the COVID-19 pandemic and staffing shortages have also negatively impacted hospitals' finances.

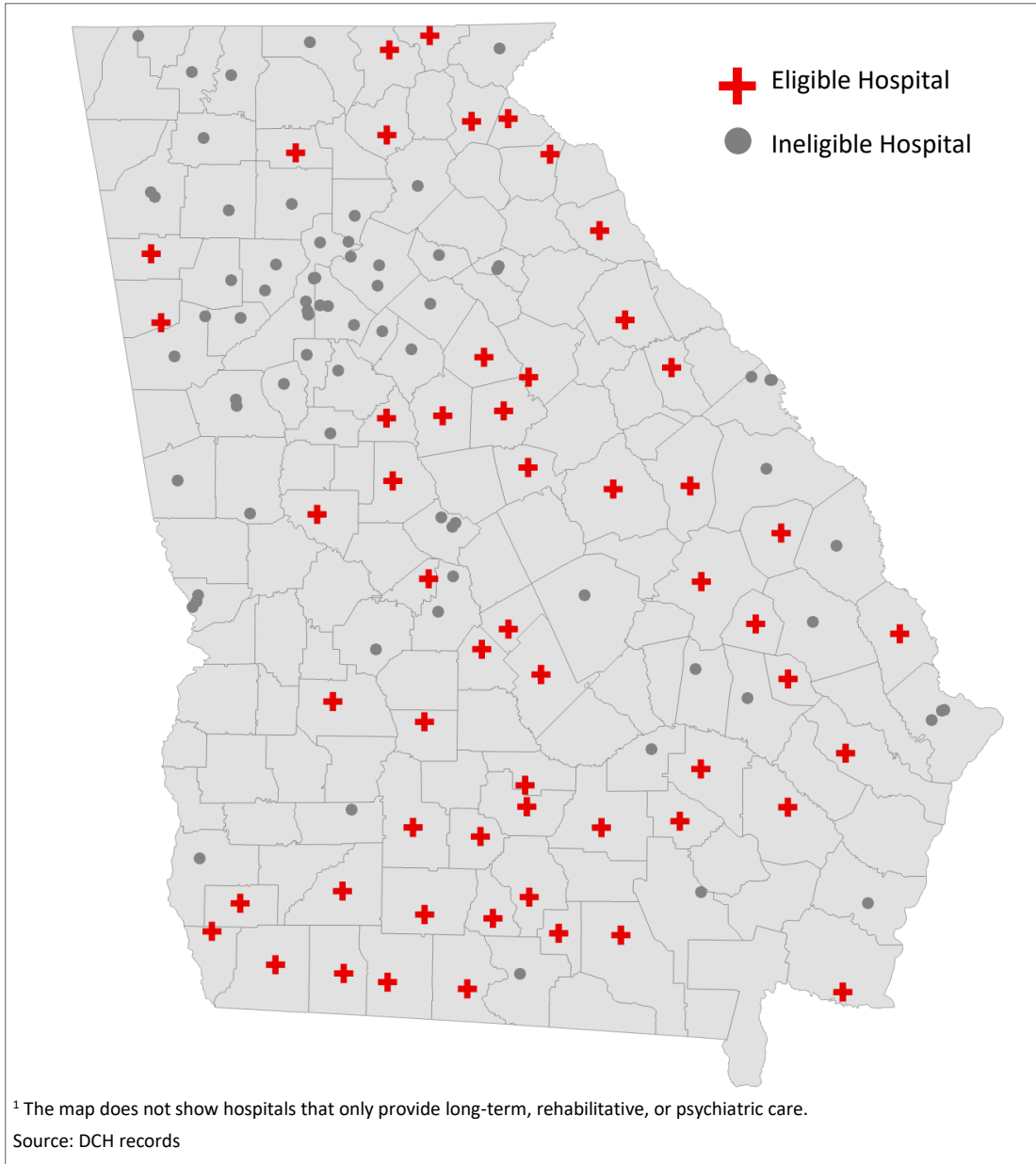
As of calendar year 2023,<sup>2</sup> 130 hospitals provided acute, short-term care to patients in Georgia, including 55 RHTC-eligible hospitals. In several regions, including Southwest, Southeast, and Middle Georgia, a hospital closure would significantly increase the distance residents would need to travel to receive medical care. **Exhibit 1** shows all hospitals in the state that provide acute, short-term care to patients, including RHTC-eligible hospitals.

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<sup>1</sup> This number differs from prior audit reports due to a change in the classification of one hospital closure.

<sup>2</sup> Data used in this report consists of the most recent data available. DOR's tax year 2022 data was used to report credits earned and claimed, while tax year 2023 data reported by Georgia HEART was used to report the most recent contributions received by hospitals.

**Exhibit 1**  
**More than 40% of Georgia hospitals<sup>1</sup> are eligible for the RHTC (CY 2023)**



**Eligibility Criteria**

In calendar year 2023, 55 hospitals were eligible to receive contributions through the RHTC. A hospital must meet the following criteria to qualify:

- Reside in a county with a population of less than 50,000 or be designated a Critical Access Hospital<sup>3</sup>;
- Be an acute care licensed hospital that provides inpatient hospital services and participates in Medicare and Medicaid;

<sup>3</sup> Critical Access Hospital is a federal designation for rural hospitals that meet certain federal requirements, including being located more than 35 miles from another hospital and having 25 or fewer acute care inpatient beds.



- Provide healthcare services to indigent patients;
- Have at least 10% annual net revenue from indigent care, charity care, or bad debt;
- Is operated by a county or municipal authority or is a tax-exempt 501(c)(3) organization;
- Be current with all audits and reports required by law; and
- Have a three-year average patient revenue margin, as a percentage of expenses, less than one standard deviation above the statewide three-year average of other rural hospitals, as calculated by the Department of Community Health (DCH).

Since RHTC's inception in 2017, the number of hospitals eligible to receive contributions has varied. Of the 60 hospitals that have received contributions through the RHTC, 43 have been eligible for the entire duration of the program. Generally, hospitals have lost eligibility because of changes to their business operations (e.g., converting from nonprofit to for-profit or financial fluctuations affecting the three-year average patient revenue margin). See [Appendix C](#) for an overview of each hospital's eligibility status in calendar years 2017-2023.

### Rural Emergency Hospital Model

Beginning January 1, 2023, the Centers for Medicare and Medicaid Services established the Rural Emergency Hospital (REH) model as a new hospital designation intended to strengthen financial viability and mitigate the risk of closure. Hospitals that elect to convert to an REH must have either been a Critical Access Hospital or a rural, acute-care hospital with no more than 50 beds. Unlike Critical Access Hospitals, an REH cannot provide inpatient services.

In March 2023, Irwin County Hospital, ranked highest by DCH among RHTC-eligible hospitals for financial need, became the first facility in Georgia to convert to an REH. (One other hospital not eligible for RHTC contributions also converted to REH status in 2023.) Under current state law, hospitals that elect to convert to an REH are not eligible to receive contributions through the RHTC for tax year 2024.

DCH is required to annually rank all eligible hospitals by financial need. To rank rural hospitals by financial need, DCH utilizes the following each year:

- **Dun and Bradstreet Supplier Evaluation Risk (SER) Score** – Obtained from the Supplier Qualifier Reports that hospitals submit to DCH with their five-year plans, this supply risk metric helps management professionals evaluate long-term risks of doing business with various entities, including hospitals.
- **Low Income Utilization Rate (LIUR)** – The LIUR is the percentage of revenue a hospital receives from Medicaid, state and local government cash subsidies, and uncompensated hospital services attributable to charity care. This is obtained from the Disproportionate Share Hospital calculation.

- Current Ratio** – Calculated using annual financial data that hospitals submit to DCH, the current ratio measures an entity’s ability to pay short-term obligations or those due within one year.

DCH ranks each eligible rural hospital for each criterion and adds the three equally weighted ranks to calculate a hospital’s overall financial need ranking. DCH posts the ranked list of eligible hospitals on its website. All eligible rural hospitals may receive RHTC contributions.



**RHTC Tax Limits**

For tax years 2017 to 2022, the RHTC had an annual aggregate credit limit of \$60 million. Legislation increased the aggregate limit to \$75 million starting in 2023, and \$100 million beginning in 2025. Although the aggregate limit increased since 2017, the annual individual limit for each hospital remains at \$4 million.

Taxpayers who participate in the RHTC may receive a state tax credit equal to 100% of their contribution to an eligible rural hospital. The maximum credit between January 1 and June 30 is \$5,000 for individuals and \$10,000 for married couples filing jointly. Owners of pass-through entities<sup>4</sup> (including S-corporations and partnerships) may also receive a maximum credit of \$10,000<sup>5</sup>, unless they elect to pay tax at the entity level. If paying taxes at the entity level, the maximum earned in the first half of the year increases to 75% of their Georgia income tax liability. Unlimited contributions for individuals are allowed after July 1 of the calendar year if the aggregate limit has not been met. For C-corporations, it is also a 100% tax credit, equal to the actual contribution amount or 75% of the corporation’s income tax liability, whichever is less. Credits not claimed in the tax year of the contribution can be carried forward for five years. **Exhibit 2** shows the limits for individual and corporate taxpayers.

**Exhibit 2**

**Maximum credit amounts<sup>1</sup> are determined by taxpayer type**

Taxpayer Type	Maximum Credit Amount, January 1 – June 30	Maximum Credit Amount, July 1 – December 31
 Individual	\$5,000 single \$10,000 married \$10,000 pass-through entity owner	Unlimited <sup>2</sup>
 C-Corporation, Trust, or Pass-Through Entity Electing to Pay Tax at the Entity Level	Up to 75% of the entity’s tax liability	
<sup>1</sup> Subject to the annual aggregate credit limit of \$75 million.		
<sup>2</sup> Individual owners of pass-through entities have the same credit limits as individuals, provided that the maximum credit “shall be allowed only for the portion of the income on which such tax was actually paid by such individual.”		
Source: O.C.G.A §§ 48-7-29.20 and 48-7-21		

<sup>4</sup> For pass-through entities, O.C.G.A. § 48-7-29.20 states that the maximum credit “shall be allowed only for the portion of the income on which such tax was actually paid by such individual.”

<sup>5</sup> Starting January 1, 2025, the maximum credit for individual owners of pass-through entities will be \$25,000 in the first half of the year.

Since the RHTC was created in 2017, the General Assembly has made changes to the credit. These changes include expanding eligibility to owners of pass-through entities, requiring the publication of various documents, providing direction for handling undesignated contributions, and requiring an annual audit by the Department of Audits and Accounts. See **Appendix D** for a summary of legislative changes and **Appendix E** for changes to preapproval and tax credit limits.

### **Roles and Responsibilities**

DCH and the Department of Revenue (DOR) are responsible for administering the RHTC. DCH enforces statutory requirements for rural hospitals, and DOR enforces statutory requirements related to taxpayer credit claims. In addition, a private third-party vendor acts as a processor for most taxpayer contributions to hospitals under contract.

### **DCH Requirements**

O.C.G.A. § 31-7-22 and O.C.G.A. § 31-8-9.1 require DCH to:

- Finalize the list of rural hospitals eligible for participation in the RHTC for the upcoming calendar year;
- Maintain an operations manual containing the current ranking of rural hospitals in order of financial need, the criteria and formula used to calculate financial neediness of rural hospitals, rural hospitals' deadlines for submitting required information to DCH, and materials required for rural hospitals to submit;
- Collect five-year plans from rural hospitals each year;
- Prepare an annual report containing information on all donations received by eligible hospitals and how those funds were expended for members of the General Assembly; and
- Post on its website a list of eligible rural hospitals in order of financial need; the annual report prepared for the General Assembly; amounts retained by third-party vendors participating in soliciting, administering, or managing contributions; and a link to DOR's website containing RHTC tax credit information.

### **DOR Requirements**

O.C.G.A. § 48-7-29.20 requires DOR to:

- Track and enforce contribution limits for the RHTC;
- Notify taxpayers of preapproval or denial for contributing to the RHTC within 30 days;
- Post timelines and deadlines related to the RHTC on its website;

- Post the ranking of rural hospitals eligible to receive RHTC contributions; and
- Maintain a monthly progress report of total preapproved contributions to date to rural hospitals, total contributions received to date by rural hospitals, total aggregate amount of preapproved contributions, aggregate amount of tax credits available, and a list of preapproved contributions made to undesignated rural hospitals, as well as which rural hospitals have received undesignated contributions.

### **Third-Party Administrator**

The Georgia HEART Hospital Program, LLC (“Georgia HEART”) assists rural hospitals in obtaining and administering contributions through the RHTC. Georgia HEART is a wholly owned subsidiary of the Georgia Community Foundation, a 501(c)(3) tax-exempt organization.<sup>6</sup>

Georgia HEART contracted with all eligible rural hospitals in tax years 2022 and 2023. As permitted by state law, it charged each hospital a 3% fee on its services. According to Georgia HEART, its services include:

- Marketing the RHTC to individuals and businesses;
- Submitting and tracking taxpayers’ preapproval requests to DOR;
- Managing an online dashboard for rural hospitals to view contributions in real time;
- Assisting with preparing documents rural hospitals must submit to DCH and DOR;
- Providing RHTC-related customer service to rural hospitals, contributors, and tax preparers;
- Monitoring RHTC-related legislation and federal and state tax laws;
- Providing continuing professional education training and updates to CPAs, tax professionals, and financial advisors; and
- Providing annual reports that show results and uses of funds to contributors and legislators.

### **Contribution Process**

Taxpayers may designate a rural hospital to receive a contribution or make an undesignated contribution, allowing DOR to designate to the highest ranked hospital on the DCH list. Taxpayers may contribute to the RHTC through Georgia HEART or through DOR’s online Georgia Tax Center.

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<sup>6</sup> According to the transparency and accountability narrative posted on Georgia HEART’s website.

- **Contributing through Georgia HEART** – Taxpayers complete a form on the Georgia HEART website, and the information is submitted to DOR by Georgia HEART on their behalf. Upon DOR approval, Georgia HEART informs the taxpayer of the hospital that should receive the contribution. Whether a contribution was initially designated by the taxpayer or DOR, the taxpayers send checks made out to the hospital, and Georgia HEART deposits the checks on behalf of the hospital.
- **Contributing directly through DOR** – A taxpayer can submit a request to DOR for preapproval to make a designated or undesignated contribution. DOR then sends notification of preapproval or denial within 30 days based on the aggregate, taxpayer, and rural hospital limits of the RHTC.

Taxpayers have 180 days<sup>7</sup> to submit their preapproved contributions to the designated rural hospital to claim the credit on their state income taxes. After submitting their payment, the rural hospital confirms with the taxpayer that it received their contribution and submits required documentation to DOR. Once the hospital reports to DOR that the contribution was received, the taxpayer is eligible to claim the credit on a tax return.

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<sup>7</sup> Effective January 1, 2025, taxpayers preapproved before September 30 must contribute before October 31 regardless of when their preapprovals were initially granted. Taxpayers preapproved after September 30 must contribute by December 31.

## Requested Information

### Hospitals Receiving Contributions

**Finding 1:** Eligible hospitals received \$72.4 million in RHTC contributions in tax year 2023, with amounts to individual hospitals varying significantly.

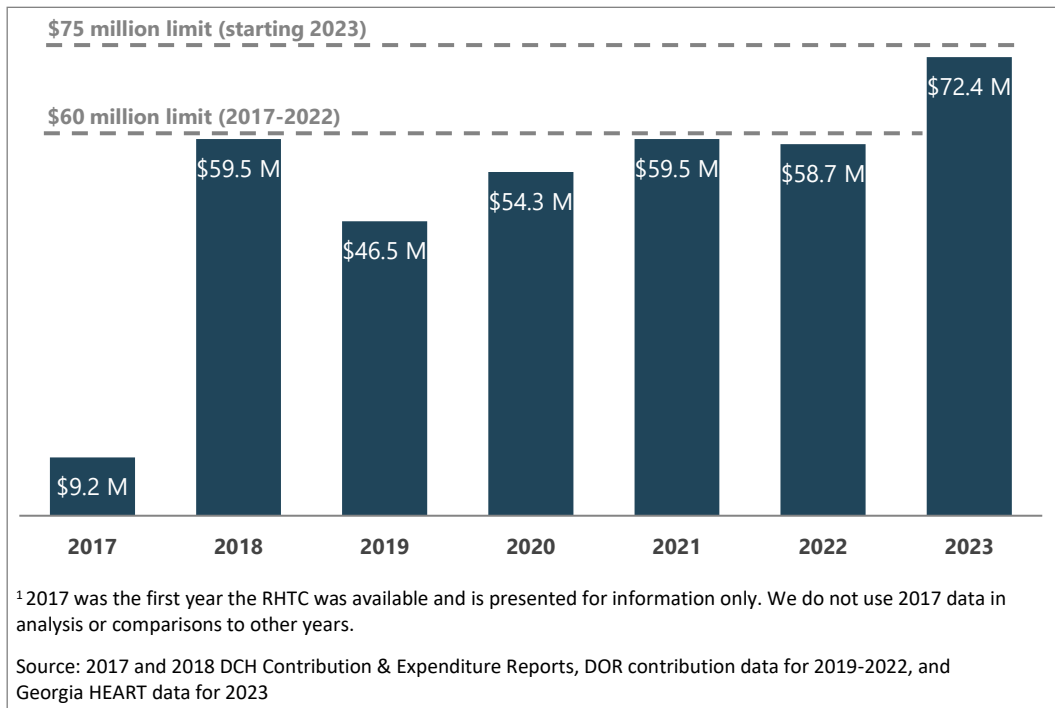
The amount of RHTC contributions that rural hospitals receive is dependent on taxpayer usage of the RHTC tax credit. Since the RHTC was created in 2017, contributions have nearly reached the aggregate limit in most years. Because of the recent increase in the aggregate limit, tax year 2023 contributions totaled \$72.4 million, an increase of more than 23% from 2022. Individual hospitals received between approximately \$52,000 and \$4.0 million.<sup>8</sup>

### Rural Hospital Contributions

For tax year 2023, Georgia HEART reported \$72.4 million in contributions. As shown in **Exhibit 3**, since its inception in 2017, RHTC contributions have been close to the annual aggregate limit in most years.

#### Exhibit 3

#### RHTC contributions were close to the annual aggregate limit in most years (TY 2018-2023)<sup>1</sup>

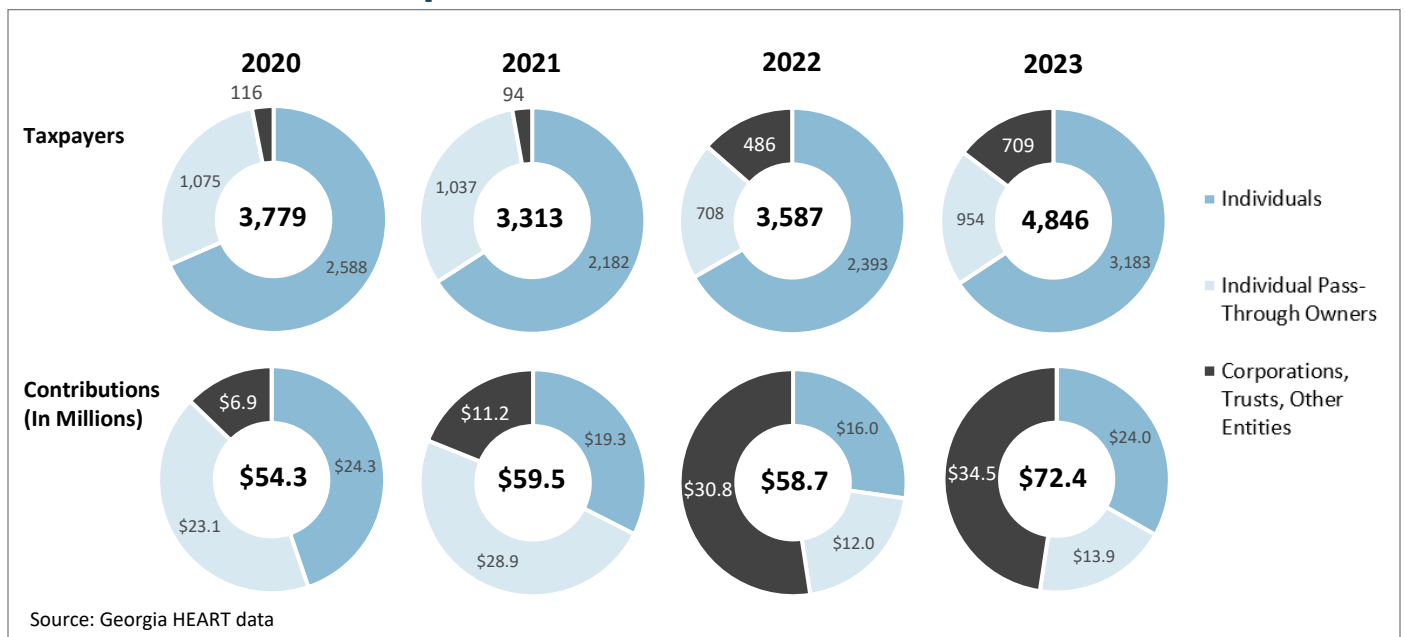


<sup>8</sup> The data presented in this report includes 2022 tax year data based on DOR’s March 24, 2023, Monthly Contribution Report and Georgia HEART contribution data for tax year 2023 provided in February 2024.

The total number of taxpayers contributing to the RHTC has fluctuated in recent years. From 2022 to 2023, the number increased, primarily due to the higher annual aggregate credit limit.

As shown in **Exhibit 4**, the number of corporate taxpayers has increased significantly in recent years. The share of contributions attributed to corporate taxpayers also rose during the period. Recent changes in federal and state tax regulations (discussed on the next page) likely contributed to the rising amount of corporate contributions. The majority (478, or 67%) of the 709 corporate taxpayers in 2023 were pass-through entities that elected to pay tax at the entity level.

**Exhibit 4**  
**RHTC contributions from corporations increased (TY 2020-2023)**



### Legislative Changes Impacting RHTC Contributions

Changes in federal and state tax policies led to increased corporate RHTC contributions in recent years because a corporation or electing pass-through entity can receive both a federal tax deduction and a Georgia tax credit for RHTC contributions.

The Internal Revenue Service (IRS) finalized a rule in 2019 that prohibited taxpayers from receiving a federal income tax deduction for charitable contributions for which the taxpayer also received a state or local tax credit. This rule likely contributed to the decline in RHTC contributions in 2019. In August 2020, the IRS issued a rule that provided corporations and pass-through entities with an avenue to claim a contribution to a non-profit as an “ordinary and necessary” business expense rather than a charitable contribution if the taxpayer can argue that the payment will financially benefit the business in some way, for instance, through increased name recognition in the state. In November 2020, the IRS issued a notice that endorsed workarounds to the state and local tax (SALT) deduction cap so that owners of pass-through entities can avoid the \$10,000 SALT deduction limit that applies to individuals.

In response, the Georgia General Assembly passed House Bill 149 in 2021, which created a workaround to the SALT deduction cap by allowing owners of pass-through entities to pay state taxes at the entity level rather than the individual level. The Georgia Department of Revenue also updated its rules to permit electing pass-through entities to cover up to 75% of their state income tax liability through the RHTC program—meaning pass-through entities are essentially treated as “C” corporations.

### Designated vs. Undesignated Contributions

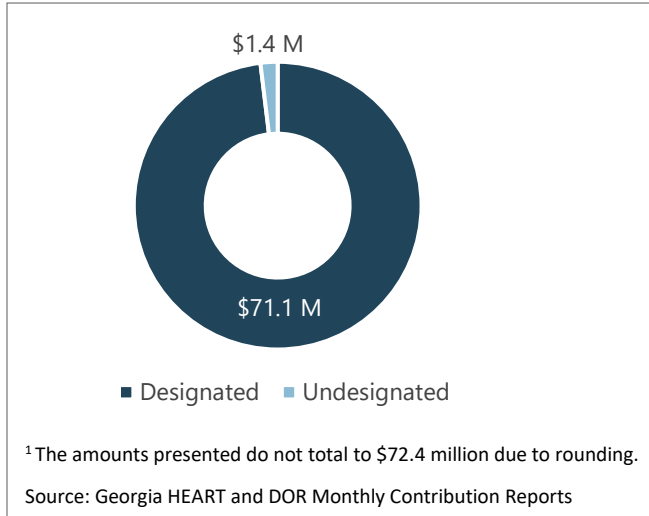
As shown in **Exhibit 5** on the next page, designated contributions comprised the vast majority (98%) of total contributions in tax year 2023. The low percentage of undesignated contributions<sup>9</sup> is likely attributable to changes in federal tax policies discussed in the text box above because RHTC contributions from individuals no longer qualify as charitable deductions for federal tax returns. Designated contributions are less likely to be affected by this change because the donors may have personal, professional, or other reasons for donating to a particular hospital. In addition, corporations and pass-through entities may be more likely to make a designated contribution to benefit specific communities so that it qualifies as a federal business expense deduction.

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<sup>9</sup> DOR designates these contributions to the hospital deemed the most in need, as determined by DCH. See Finding 8 for more information.



**Exhibit 5**  
**Most contributions are designated<sup>1</sup> (TY 2023)**



**Distribution of RHTC Contributions Across Rural Hospitals**

RHTC contributions received by the hospitals generally increased from tax year 2022 to 2023, primarily because of the increase to the annual aggregate limit. As shown in **Exhibit 6**, only 9 of 55 rural hospitals received less than \$500,000 in 2023 (compared to 22 hospitals the prior year), while 28 of 55 hospitals received more than \$1 million. The median contribution rose 59% (from approximately \$670,000 to \$1.1 million), and the average rose 23% (from \$1.1 million to \$1.3 million).

**Exhibit 6**  
**Contributions to most hospitals increased (TY 2022 and 2023)**

Total Contributions 2022 Hospitals		Total Contributions 2023 Hospitals	
\$0 - \$500k	22	\$0 - \$500k	9
\$500k - \$1M	11	\$500k - \$1M	18
\$1M - \$1.5M	8	\$1M - \$1.5M	8
\$1.5M - \$2M	3	\$1.5M - \$2M	8
\$2M - \$2.5M	5	\$2M - \$2.5M	4
\$2.5M - \$3M	4	\$2.5M - \$3M	6
\$3M - \$3.5M	1	\$3M - \$3.5M	1
\$3.5M - \$4M	1	\$3.5M - \$4M	1

Source: DOAA analysis of 2022 DOR Monthly Contribution Report and 2023 Georgia HEART contribution data

Contributions to individual hospitals varied significantly in 2022 and 2023. Archbold Mitchell received the smallest contributions in both 2022 and 2023 (approximately \$67,000 and \$52,000, respectively). Colquitt Regional Medical Center received the highest contributions, nearly reaching the limit in both years (approximately \$3,997,000 and \$3,973,000, respectively). (See **Appendix F** for a list of hospitals and their tax year 2023 contributions.)

The distribution of RHTC contributions was not consistent with individual hospitals' financial need as determined by DCH.

- In tax year 2022, nearly two-thirds of the 55 eligible hospitals (34) received less than the average contribution (approximately \$1,068,000), and 10 hospitals received total contributions more than twice the average. Of the two hospitals with more than \$3 million in contributions, one (Colquitt Regional Medical Center) was in the bottom half of DCH's list of hospitals ranked by financial need. Finally, 5 of the 10 neediest hospitals received contributions below the average.
- In tax year 2023, 31 of 55 eligible hospitals received less than the average contribution (approximately \$1,317,000) and five received more than twice the average. Of the two that received more than \$3 million in contributions, one (Colquitt Regional Medical Center) was in the bottom half of DCH's list of hospitals ranked by financial need. Five of the 10 neediest hospitals received contributions below the average.

***DOR and Georgia HEART Response:***

*DOR and Georgia HEART stated that they agree with this finding.*

**Finding 2:** All RHTC contributions to hospitals were within statutory limits in tax year 2023.

Tax year 2023 contributions made through the RHTC program were within statutory limits. Preapprovals and contributions were within the aggregate limit for the program, and no hospital received contributions that exceeded mid-year or end-of-year limits.

As shown in **Exhibit 7** on the next page and described below, O.C.G.A. § 48-7-29.20 sets limits for aggregate earnings and individual hospitals, which were not exceeded in tax year 2023.

- **Aggregate Credit Limits** – According to state law, the aggregate amount of credits shall not exceed \$75 million per taxable year. In tax year 2023, total contributions to rural hospitals through the program were \$72.4 million—\$2.6 million below the limit.
- **Individual Hospital Limits** – According to the law, no rural hospital shall receive more than \$4 million of the aggregate contributions in a taxable year, and during tax year 2023, no individual rural hospital received more than \$4 million.
- **Taxpayer Type Limits** – No hospital may receive more than \$2 million in preapproved contributions from either individual taxpayers or corporations prior to July 1, and no hospital exceeded this limit.

DOR’s tax system has controls designed to ensure that total program, individual hospital, and taxpayer type limits are not exceeded. The controls are intended to reject an application for a tax credit that exceeds these limits.

**Exhibit 7**  
**RHTC contributions complied with state law (TY 2023)**

Statutory Requirement	Compliant	Non-Compliant
Credits earned from contributions are capped at \$75 million each year.	✓	
Credits earned from contributions are capped at \$4 million for individual hospitals each year.	✓	
Preapproved contributions do not exceed \$2 million per hospital from individual taxpayers prior to July 1.	✓	
Preapproved contributions do not exceed \$2 million per hospital from corporate taxpayers prior to July 1.	✓	

Source: DOAA analysis of Georgia HEART contribution data, DOR preapproval data, and O.C.G.A. § 48-7-29.20

***DOR and Georgia HEART Response:***

*DOR and Georgia HEART stated that they agree with this finding.*

**Finding 3: Rural hospitals that received RHTC contributions were generally in compliance with state law.**

DCH verified that all rural hospitals receiving RHTC contributions in tax years 2022 and 2023 were eligible based on the criteria established in state law. However, one hospital did not submit to DCH the most current documentation to show that it met all statutory requirements. The hospitals followed statutory requirements to report all contribution expenditures and administrative fees remitted to third parties involved in the RHTC program, as discussed below.

- **Hospital Eligibility Requirements** – O.C.G.A. § 31-8-9.1 outlines criteria that must be met for rural hospitals to receive RHTC contributions. These criteria include a county population of less than 50,000 or critical access designation, acceptance of Medicaid and Medicare patients, and demonstration that at least 10% of annual net revenue is indigent care, charity, or bad debt. For a complete list of criteria established by state law, see pages 2-3.

To verify eligibility, DCH staff review census data, hospital financial reporting, IRS forms, and other information reported to the agency.

Although statute requires eligible hospitals to be current with all reports, we found that one hospital did not submit current reports<sup>10</sup> to DCH by the

<sup>10</sup> Hospitals were required to submit reports for fiscal year 2021, but one hospital submitted a report dated for fiscal year 2019 and two reports dated for 2020.

established deadline. However, DCH indicated the hospital would have been eligible and compliant if the correct reports, which were later provided, had been submitted on time.

- **Hospital Five-Year Plans** – O.C.G.A. § 31-8-9.1 requires hospitals to annually submit to DCH a Five-Year Plan that details the financial viability and stability of the rural hospital organization before it can be considered eligible by DCH. The Five-Year Plan asks for information on the hospital’s debt, amount of uncompensated care, planned use of RHTC funds to support uncompensated care, and a description of other challenges to financial viability and stability.
- **Hospital Donation and Expenditure Reports** – O.C.G.A. § 31-8-9.1 requires rural hospitals to annually report to DCH how RHTC contributions have been spent, as well as the payments made to third parties that solicit, administer, or manage RHTC donations. Payments to these third parties must not exceed 3% of total RHTC contributions.

As shown in **Exhibit 8**, all hospitals receiving RHTC contributions complied with this statutory requirement in 2022.

**Exhibit 8**  
**Hospitals complied with RHTC requirements (TY 2022)**

Statutory Requirement	Compliant	Non-Compliant
Rural hospitals must report contribution expenditures to DCH.	✓	
Rural hospitals must report payments to third parties to DCH.	✓	
Payments to third parties do not exceed 3% of contributions.	✓	

Source: DOAA analysis of DCH and hospital documents, hospital contribution data, and O.C.G.A. § 31-8-9.1

**DCH fully implemented recommendations from DOAA**

Based on recommendations made in the audit report published May 2023, DCH implemented new procedures to review hospitals’ Donation and Expenditure reports for obvious errors, such as inaccurate contribution amounts, payments made to a third-party, and unspent funds. DCH also added clarifying instructions to its Donation and Expenditure Report template on its website. DCH indicated it identified and contacted nine hospitals that subsequently made corrections to the Donation and Expenditure report submitted for tax year 2023.

***DCH Response:***

*DCH stated that it agrees with this finding.*

**Finding 4:** Rural hospitals reported spending \$58 million of RHTC funds in 2022, with \$40 million in funds remaining unspent.

As previously noted, O.C.G.A. § 31-8-9.1 requires rural hospitals to report to DCH how RHTC contributions are used each year. The hospitals should report all expenditures in one of the nine categories included in the DCH template as discussed below. If a recipient hospital does not spend all available contributions by the end of the year, it should report how it intends to use the remaining contributions in the future.

**2022 Available Funds and Expenditures**

As shown in **Exhibit 9**, rural hospitals had approximately \$98 million in RHTC funds available over the course of the year, including 2022 contributions and unspent funds from prior years.

**Exhibit 9  
Hospitals used most contributions on capital expenditures and regular operating expenses (CY 2022)<sup>1</sup>**

<b>RHTC Donations</b>		
2022 Donations	\$	58,732,411
Unspent from Prior Years	\$	<u>39,387,788</u>
<b>Total</b>	<b>\$</b>	<b><u>98,120,200</u></b>
<b>RHTC Expenditures</b>		<b>% of Total</b>
Capital Expenditures	\$	15,152,497 <b>26%</b>
Regular Operating Expenses	\$	11,400,740 <b>20%</b>
Other	\$	9,322,820 <b>16%</b>
Payments to Reduce Long-term Debt	\$	9,178,616 <b>16%</b>
Personnel Expenses	\$	5,372,609 <b>9%</b>
Equipment Purchases	\$	3,186,030 <b>5%</b>
Contracts (Other than HEART)	\$	2,624,389 <b>5%</b>
Admin Fees to HEART	\$	1,761,972 <b>3%</b>
Motor Vehicle Purchases	\$	53,699 <b>0%</b>
<b>Total</b>	<b>\$</b>	<b><u>58,053,373</u> <b>100%</b></b>
<b>RHTC Outstanding</b>		
Unspent Donated Funds	\$	<u>40,066,827</u>

<sup>1</sup>This information is based on hospital reports and is not verified or audited. As noted in Exhibit 10, we calculated a slightly lower number for unspent funds. Numbers may not total due to rounding.

Source: Calendar year 2022 DCH Donation and Expenditure Report

The hospitals reported spending nearly \$58.1 million during 2022. The largest proportion of RHTC expenditures were incurred in two categories: capital expenditures and regular operating expenses. Capital expenditures (26%) may include renovating outdated facilities or expanding existing facilities to increase

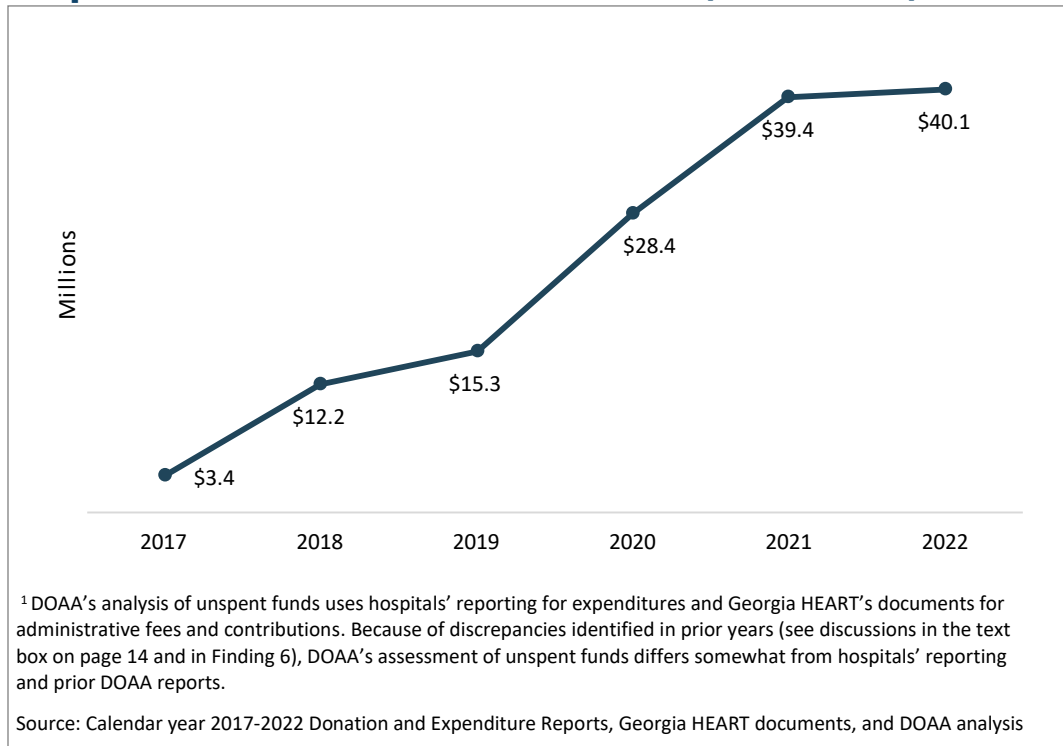
services, while regular operating expenses (20%) can include costs such as administering medicine or providing other treatment to patients. Other notable expenditures included payments to reduce long-term debt (16%) and undefined/other expenditures (16%), which often includes costs associated with uncompensated care.

**2022 Unspent Funds**

In 2022, 25<sup>11</sup> of the 55 hospitals reported approximately \$40 million in unspent funds, averaging \$1.6 million. Amounts ranged from \$10,000 to \$7.2 million. Twelve hospitals reported more than \$1 million in unspent funds, including five with more than \$2 million. Hospitals indicated that they intend to use the unspent funds on large capital projects, equipment purchases to improve or expand services, and recruitment of medical professionals. As shown in **Exhibit 10**, unspent RHTC funds greatly increased from 2019 through 2022, largely due to capital project delays caused by COVID-19. There is no requirement to use funds within a certain timeframe.

**Exhibit 10**

**Unspent RHTC funds have increased since 2017 (CY 2017-2022)<sup>1</sup>**



***DCH Response:***

*DCH stated that it agrees with this finding.*

<sup>11</sup> A 26<sup>th</sup> hospital that reported \$0.03 in unspent funds was not included in this analysis.

## Taxpayers Obtaining Credits

**Finding 5:** Individual taxpayers claimed the majority of rural hospital tax credits in tax year 2022.

Approximately 33% of tax credits that were available to taxpayers in 2022 (the most recent year available) will be carried forward to future tax years. Individual taxpayers, who were responsible for the majority of claimed credits in tax year 2022, represented most of Georgia’s counties.

As shown in **Exhibit 11**, \$73.8 million in rural hospital tax credits were available in tax year 2022—\$58.7 million was earned during tax year 2022, with the remainder unclaimed from previous years. During tax year 2022, taxpayers claimed \$49.4 million in rural hospital tax credits. As a result, \$24.4 million in available tax credits will carry forward to future tax years.<sup>12</sup>

### Exhibit 11

#### Tax credits carried forward are increasing (TY 2018-2022)<sup>1</sup>

Credit Type	2018	2019	2020	2021	2022
<b>Amount Available</b>	\$59,152,069	\$54,654,026	\$64,458,295	\$73,007,819	\$73,823,871
<b>Amount Utilized</b>	\$50,972,690	\$44,506,629	\$50,888,624	\$57,864,185	\$49,391,735
<b>Amount Remaining</b>	\$8,179,379	\$10,147,397	\$13,569,671	\$15,143,634	\$24,432,136

<sup>1</sup> Amounts shown reflect credits claimed through tax year 2022, as of April 15, 2024. Amounts may change, however, as taxpayers have three years to file amended returns.

Source: DOAA analysis of DOR tax data

The proportion of rural hospital tax credits claimed by individual taxpayers decreased in tax year 2022 compared to prior years. Individual taxpayers claimed 58% (\$28.6 million) of the \$49.4 million in credits claimed in tax year 2022, compared to around 90% in 2020 and 2021.<sup>13</sup> The remaining \$20.8 million in credits were claimed by corporations, partnerships, S-corporations, and fiduciaries. As discussed in Finding 1 on page 10, changes to federal and state tax policies likely contributed to a recent increase in credits earned by corporate taxpayers.

As with prior years, taxpayers in the highest income group (those with incomes above \$700,000) claimed the largest amount of credits (\$14.2 million, or 50%) in tax year 2022 (see **Exhibit 12** on the next page). Overall, individuals who claimed the credit had an average Georgia Adjusted Gross Income of approximately \$560,000, whereas the median was approximately \$270,000.

<sup>12</sup> As previously noted, credits can be carried forward for five years. Unused credits earned in 2017—the program’s first year—expired in 2022, and unused credits earned in 2018 expired in 2023 if not claimed. It should be noted, however, that taxpayers can amend returns for up to three years—meaning the amount of credits utilized for a given tax year may change for up to three years afterward.

<sup>13</sup> Approximately 83% of individual taxpayers who claimed the rural hospital tax credit filed as married filing jointly.

**Exhibit 12**

**Almost half of credits claimed by individual taxpayers were by those with incomes above \$700,000 (TY 2022)**

Taxpayer Income	Taxpayers	Credits Claimed
\$0 - \$50K	190	\$1,057,565
\$50K - \$100K	311	\$528,736
\$100K - \$150K	301	\$793,537
\$150K - \$200K	313	\$1,295,992
\$200K - \$250K	273	\$1,390,795
\$250K - \$300K	232	\$1,434,050
\$300K - \$350K	169	\$1,085,499
\$350K - \$400K	134	\$974,331
\$400K - \$450K	139	\$1,200,642
\$450K - \$500K	98	\$963,452
\$500K - \$550K	108	\$1,077,504
\$550K - \$600K	89	\$1,166,131
\$600K - \$650K	80	\$897,854
\$650K - \$700K	54	\$540,790
More than \$700K	485	\$14,192,057

Source: DOAA analysis of DOR tax data

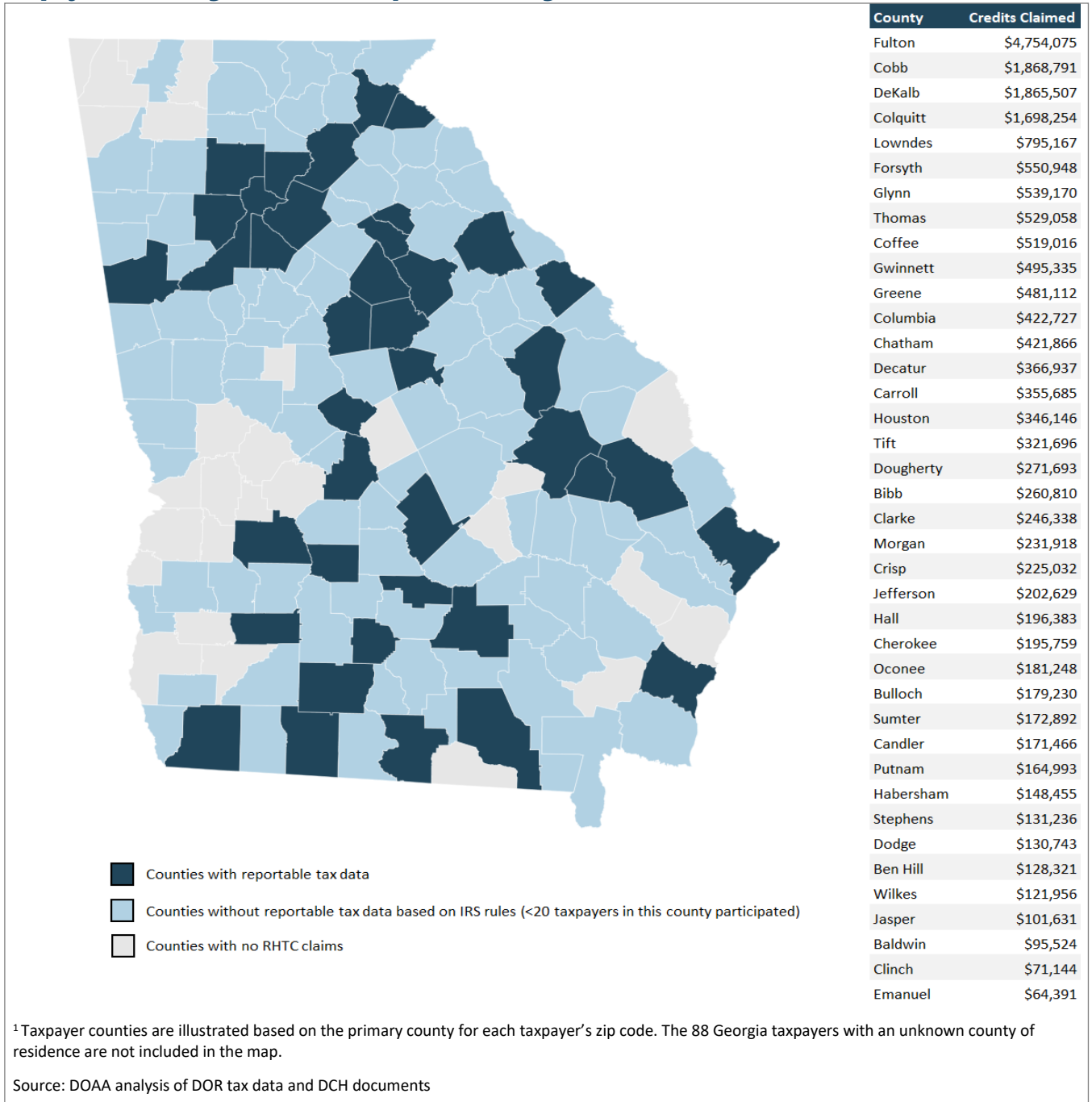
Rural hospital tax credits were claimed by individual taxpayers in 132 Georgia counties.<sup>14</sup> IRS tax information security guidelines limit tax data reporting to counties where 20 or more taxpayers claimed a credit. The 39 Georgia counties that met this criterion in tax year 2022 are highlighted in **Exhibit 13** on the next page. These counties represent \$20.0 million (41%) of the \$49.4 million in rural hospital tax credits claimed in tax year 2022. Three of the five counties with the most claimed credits in tax year 2022 are in Metro Atlanta.

<sup>14</sup> Taxpayer counties were established based on the primary county for each taxpayer’s zip code (additional details are provided in **Appendix B**).



**Exhibit 13**

**Taxpayers claiming credits are dispersed throughout the state<sup>1</sup> (TY 2022)**



***DOR Response:***

*DOR stated that it agrees with this finding.*

**Finding 6: DOR controls should be strengthened to ensure that credits claimed align with contributions made.**

Between tax years 2018 and 2023, we identified small discrepancies between RHTC contributions hospitals received and credits issued by DOR. These minor discrepancies were published in DOR's monthly reports and the corresponding inaccurate credits were available to be claimed by taxpayers. The discrepancies account for 0.1% of all available credits and pose little fiscal risk to the state.

State law provides that for a taxpayer to claim the RHTC, the hospital must receive the contribution within 180 days after the taxpayer was preapproved. Hospitals<sup>15</sup> report to DOR when a contribution is received, and DOR uses these reports to calculate the remaining available credits for the year. DOR publishes these calculations to its website monthly as required by law.

Our review identified that between tax years 2018 and 2023, the amount of credits that were available to taxpayers did not align with the amount of contributions that hospitals received or with statutory requirements. These discrepancies total approximately \$335,000—representing 0.1% of the nearly \$351 million in credits earned. The issues we identified are described below.

- Erroneous Reporting** – Georgia HEART, a third-party administrator for RHTC-eligible hospitals, identified several instances where it reported a contribution to DOR, but funds had not been received by any hospital. Typically, this occurred because the bank rejected a deposit after a report had already been submitted to DOR. For tax year 2023, Georgia HEART indicated it found five erroneous contribution reports (totaling approximately \$87,000) during its internal audits, but these contributions were included in DOR's credit calculations. In prior years, Georgia HEART found an additional 14 erroneous records totaling approximately \$84,000. DOR indicated it does not have a mechanism to allow Georgia HEART to amend reports made in error. Additionally, because DOR controls did not identify the discrepancies, taxpayers would be able to claim any credits issued based on an erroneous report.<sup>16</sup>
- One-Dollar Contributions** – DOR's information system automatically calculates the remaining available credits for the year after it receives a reported contribution amount. For example, if Georgia HEART reports a contribution of \$100 when the taxpayer was initially preapproved for \$1,000, then the remaining \$900 is added back into the available credits for the year.

<sup>15</sup> For tax years 2019 to 2023, Georgia HEART partnered with all hospitals that were eligible to receive RHTC contributions and submitted reports to DOR on their behalf. For tax year 2018, it partnered with 52 of the 58 hospitals that were eligible that year.

<sup>16</sup> Due to limited data availability, we could not independently confirm whether credits resulting from contributions reported in error had already been claimed.

Occasionally, taxpayers are preapproved by DOR but later inform Georgia HEART that they do not intend to contribute. Because DOR's information system does not allow a \$0 contribution to be reported, Georgia HEART reports that a hospital received a \$1 contribution from taxpayers who do not intend to donate. According to Georgia HEART staff, doing so allows the preapproved credits to be made available more quickly to future potential donors.

Georgia HEART has been increasingly reporting \$1 contributions in recent years. For tax year 2023, we identified 265 \$1 contributions, compared to 174 \$1 contributions over the prior two years and none before 2021. DOR indicated current controls would not prevent a taxpayer from claiming these \$1 credits.

- **Excess Corporate Credits** – During our review of the RHTC in 2020, we determined that DOR did not have a process to ensure that corporations and individuals receiving income from pass-through organizations have the necessary tax liability to qualify for the amount of credit earned. As a result, these taxpayers could and did receive higher credits than they qualified for based on their tax liability.

DOR created a process for the RHTC and other tax credits that require a preapproval before a taxpayer can qualify for the credit. The process includes running an annual query in the calendar year after the tax returns are processed by DOR and adjusting any claims that are determined to exceed the tax liability. Once a return is flagged as exceeding the tax liabilities, the returns are reviewed and any adjustments to the tax credit claimed are made.

DOR indicated it recently finalized this process. During our review, the query had been tested on tax returns filed for tax years 2018 through 2021 (for tax year 2022, our review identified 50 tax return records totaling approximately \$163,000 in excess credits based on the reported tax liability). DOR staff stated query testing was completed in April 2024. DOR plans to run the query and the review process annually and make updates as needed.

## RECOMMENDATIONS

1. DOR should create a mechanism to allow or require rural hospital organizations/Georgia HEART to report contributions that require amendment, and DOR should adjust credits that need to be lowered.
2. Georgia HEART should notify DOR about erroneous reporting identified during its internal audits.
3. DOR should modify its information system to allow rural hospital organizations/Georgia HEART to report a \$0

contribution if the preapproved donor has indicated they will not contribute.

- a. Additionally, Georgia HEART should not report inaccurate \$1 contributions.
4. DOR should continue to improve controls related to corporate credits.

***DOR and Georgia HEART Response:***

*DOR and Georgia HEART stated that they agree with this finding. Their responses to the recommendations are listed below.*

***Recommendation 1:*** *DOR agreed with this recommendation and indicated it would “investigate the ability for its Integrated Tax Solution System to handle amended credit certificate amounts.”*

***Recommendation 2:*** *Georgia HEART agreed with this recommendation.*

***Recommendation 3:*** *DOR agreed with this recommendation and indicated that a system change request has been submitted to allow for reporting \$0 contributions; however, due to other obligations and requests, this system change request will be “prioritized according to impact.”*

***Recommendation 3a:*** *Georgia HEART partially agreed with this recommendation and indicated it would stop reporting inaccurate \$1 contributions if DOR allows \$0 contributions to be reported. Until that time, however, Georgia HEART indicated “reporting \$1 amounts enables a significant amount of tax credits to be utilized by other taxpayers rather than being wasted due to nonpayment late in the year.”*

***Recommendation 4:*** *DOR agreed with this recommendation and stated it “feels confident that the annual review to verify credit certificate amounts based on actual tax amounts reported is effective.” DOR also indicated adjustments to credits will be made within statutory guidelines.*

### Third-Party Organizations that Assist Taxpayers/Hospitals

**Finding 7:** Administrative fees retained by Georgia HEART in tax year 2022 were within statutory limits.

Total administrative fees that rural hospitals remitted to Georgia HEART in tax year 2022 did not exceed the statutory limit of 3% of total contributions. Additionally, no single rural hospital that received contributions in tax year 2022 remitted administrative fees exceeding 3% of reported contributions.

Rural hospitals can elect to have third-party organizations solicit, administer, and/or manage the RHTC contributions they receive. Per O.C.G.A. § 31-8-9.1, third-party organizations may charge hospitals a fee not exceeding 3% of the total amount of contributions.

In tax year 2022, all 55 RHTC-eligible hospitals contracted with Georgia HEART to provide services such as marketing the credit to taxpayers, processing taxpayer preapproval requests, assisting hospitals with required reporting to DOR and DCH, and monitoring RHTC-related legislation. Georgia HEART charged rural hospitals a 3% fee for services. Georgia HEART’s audited financial statements reported \$1.76 million in administrative fee revenue in tax year 2022—3% of the \$58.7 million in total RHTC contributions. Contribution expenditure reports that rural hospitals submitted to DCH further confirmed that no individual hospital exceeded the 3% limit (see **Exhibit 14**).

**Exhibit 14**

**Payments to Georgia HEART were within the statutory limit (TY 2022)**

Statutory Requirement	Compliant	Non-Compliant
Payments to third parties do not exceed 3% of contributions.	✓	
Source: DOAA analysis of hospital contribution data, Georgia HEART financial statements, and O.C.G.A. § 31-8-9.1		

***Georgia HEART Response:***

*Georgia HEART stated that it agrees with this finding.*

**Finding 8: Undesignated donations were distributed to rural hospitals in accordance with state law in tax year 2023.**

Information from Georgia HEART and DOR indicates that undesignated funds were assigned to hospitals in accordance with state law in tax year 2023. Georgia HEART reports funds to DOR as undesignated, and DOR assigns the undesignated funds to hospitals in accordance with their financial need rank.

Per O.C.G.A. § 48-7-29.20, if a donor does not specify what hospital should receive their contribution, the undesignated funds must be sent to the rural hospital with the highest financial need that has not received the maximum amount of contributions (\$4 million) for that taxable year.

Georgia HEART staff reported that when they receive an undesignated contribution, they submit the application to DOR and DOR identifies the hospital that should receive the funds using DCH’s ranking of financial need. Once DOR accepts the preapproval, Georgia HEART notifies the taxpayer that they have 180 days to contribute to the selected hospital.

Tax year 2023 data from Georgia HEART indicates that undesignated funds were directed in accordance with state law, as shown in **Exhibit 15**. All undesignated contributions (nearly \$1.4 million) were assigned to the hospital ranked as most financially needy (Irwin County Hospital). As discussed on page 3, Irwin County Hospital is now a Rural Emergency Hospital and is no longer eligible to receive RHTC contributions for tax year 2024.

**Exhibit 15  
Undesignated contributions were distributed in compliance with statute (TY 2023)**

Statutory Requirement	Compliant	Non-Compliant
Undesignated funds are sent to neediest rural hospital.	✓	
Source: DOAA analysis of Georgia HEART contribution data, DCH documents, and O.C.G.A. § 48-7-29.20		

***DOR and Georgia HEART Response:***

*DOR and Georgia HEART stated that they agree with this finding.*

## Appendix A: Table of Findings and Recommendations

	Agree, Partial Agree, Disagree	Implementation Date
<b>Finding 1: Eligible hospitals received \$72.4 million in RHTC contributions in tax year 2023, with amounts to individual hospitals varying significantly. (p. 8)</b>	Agree – DOR and Georgia HEART	N/A
1.1 No recommendations		
<b>Finding 2: All RHTC contributions to hospitals were within statutory limits in tax year 2023. (p. 12)</b>	Agree – DOR and Georgia HEART	N/A
2.1 No recommendations		
<b>Finding 3: Rural hospitals that received RHTC contributions were generally in compliance with state law. (p. 13)</b>	Agree - DCH	N/A
3.1 No recommendations		
<b>Finding 4: Rural hospitals reported spending \$58 million of RHTC funds in 2022, with \$40 million in funds remaining unspent. (p. 15)</b>	Agree – DCH	N/A
4.1 No recommendations		
<b>Finding 5: Individual taxpayers claimed the majority of rural hospital tax credits in tax year 2022. (p. 17)</b>	Agree - DOR	N/A
5.1 No recommendations		
<b>Finding 6: DOR controls should be strengthened to ensure that credits claimed align with contributions made. (p. 20)</b>		
6.1 DOR should create a mechanism to allow or require rural hospital organizations/Georgia HEART to report contributions that require amendment, and DOR should adjust credits that need to be lowered.	Agree – DOR and Georgia HEART	DOR – Year End 2024 Georgia HEART – No date
6.2 Georgia HEART should notify DOR about erroneous reporting identified during its internal audits.	Agree – DOR and Georgia HEART	DOR – N/A Georgia HEART – No date
6.3 DOR should modify its information system to allow rural hospital organizations/Georgia HEART to report a \$0 contribution if the preapproved donor has indicated they will not contribute.	Agree – DOR and Georgia HEART	DOR – Year End 2024 Georgia HEART – N/A
6.3a Additionally, Georgia HEART should stop reporting inaccurate \$1 contributions.	Partial Agree – Georgia HEART	Georgia HEART – No date
6.4 DOR should continue to improve controls related to corporate credits.	Agree - DOR	DOR – “Complete”

<b>Finding 7: Administrative fees retained by Georgia HEART in tax year 2022 were within statutory limits. (p. 23)</b>	Agree – Georgia HEART	<b>N/A</b>
7.1 No recommendations		
<b>Finding 8: Undesignated donations were distributed to rural hospitals in accordance with state law in tax year 2023. (p. 24)</b>	Agree – DOR and Georgia HEART	<b>N/A</b>
8.1 No recommendations		



## Appendix B: Objectives, Scope, and Methodology

### Objectives

This report examines the Rural Hospital Tax Credit (RHTC) program. Specifically, our examination set out to determine the following:

1. All contributions received by rural hospital organizations;
2. All tax credits received by individual and corporate donors; and
3. All amounts received by third parties that solicited, administered, or managed donations pertaining to O.C.G.A. § 48-7-29.20.

### Scope

This performance audit generally covered tax years 2022 and 2023, with consideration of earlier or later periods when relevant. We used the most current data whenever possible. We used the most recent tax year 2023 contribution data reported by the Department of Revenue (DOR) and the Georgia HEART Program, LLC (Georgia HEART) to capture RHTC contributions made to hospitals. Tax year 2022 data is the most complete and detailed data available on credits earned and/or claimed by taxpayers in their tax filings.

Information used in this report was obtained by reviewing relevant laws, rules, and regulations; interviewing agency officials and staff from the Department of Community Health (DCH), DOR, and Georgia HEART; analyzing data and reports by DCH, DOR, and Georgia HEART; and reviewing previous audit work conducted by our office.

Due to legal restrictions, certain geographic information derived from income tax data is prohibited from public disclosure. As a result, certain confidential or sensitive information has been omitted from the report.

Government auditing standards require that we also report the scope of our work on internal control that is significant within the context of the audit objectives. All three objectives include an assessment of compliance with state law. We gained an understanding of agency controls designed to ensure compliance and reviewed the data to identify instances of noncompliance. Specific information related to our work is described by objective in the methodology below.

### Methodology

**To evaluate the contributions received by rural hospital organizations,** we reviewed DOR and Georgia HEART preapproval and contribution data for all hospitals receiving contributions through the RHTC. We used Georgia HEART and DOR data to identify the number and amount of contributions reported, the contributor type, and the amount of contributions reported as undesignated. DCH reports were used to identify how hospitals spent their contributions. We assessed the controls over DOR data used for this audit and determined the data used were sufficiently reliable for our analyses.

We reviewed state law to identify compliance requirements related to total contributions to rural hospitals, hospital eligibility, and reporting requirements for rural hospitals. We used DOR and Georgia HEART contribution data to determine whether total contributions complied with identified

requirements. We also reviewed DCH data and rural hospital documentation to determine whether DCH verifies that hospitals were eligible and satisfied reporting requirements related to RHTC contributions. We also interviewed DCH staff and reviewed DCH and hospital documentation to determine whether prior audit recommendations had been implemented.

To determine the percentage of Georgia hospitals eligible for the RHTC in 2023, we compared the list of RHTC-eligible hospitals to the list of all hospitals in the state, excluding those that exclusively provide long-term, rehabilitative, or psychiatric/behavioral health services. We used DCH data to identify all hospitals in the state and reviewed prior audit work and hospital documents to determine which hospitals to exclude from our comparison.

**To evaluate the tax credits received by individual and corporate donors,** we analyzed DOR tax return data for all taxpayers who claimed the RHTC in tax years 2018-2022. The encrypted data includes all taxpayer contribution amounts to rural hospitals, the dates taxpayer contributions were approved, credits claimed and unclaimed by taxpayers, and taxpayer characteristics. We assessed the controls over the data used for this audit and determined the data were sufficiently reliable for our analyses.

We used taxpayer data to differentiate between credits granted to individual and corporate taxpayers, and to describe income levels and counties of residence of individual taxpayers. To determine the counties of residence of individual taxpayers, we used DCH public data that lists Georgia zip codes with each corresponding primary county and cross-referenced this list with zip codes in the tax return data. While zip codes may cross county lines, we determined that this list was sufficiently reliable for our analysis. We also used DOR tax return data to identify the total amount of credits available for taxpayers to claim, the amount of credits that were claimed, and the amount of credits that were carried forward and are claimable in the future.

To determine reasons for discrepancies identified between DCH contribution and expenditure data, DOR contribution and tax credit data, and Georgia HEART contribution data, we interviewed DCH, DOR, and Georgia HEART staff.

**To evaluate the amounts received by third parties that solicited, administered, or managed donations pertaining to O.C.G.A. § 48-7-29.20,** we reviewed Georgia HEART's audited financials to identify administrative fee income from RHTC contributions in tax year 2022. We also reviewed DCH data and rural hospital documentation to identify the amount rural hospitals reported as administrative fees charged by Georgia HEART. We reviewed O.C.G.A. § 48-7-29.20 to identify statutory limits on fees that can be charged by third parties and compared limits to Georgia HEART's 2022 administrative fee income.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

If an auditee offers comments that are inconsistent or in conflict with the findings, conclusions, or recommendations in the draft report, auditing standards require us to evaluate the validity of those comments. In cases when agency comments are deemed valid and are supported by sufficient,

appropriate evidence, we edit the report accordingly. In cases when such evidence is not provided or comments are not deemed valid, we do not edit the report and consider on a case-by-case basis whether to offer a response to agency comments.

## Appendix C: RHTC Hospital Eligibility, Calendar Years 2017-2023

Average Financial Need Rank <sup>1</sup>	DCH Hospital Name	County	Eligibility						
			2017	2018	2019	2020	2021	2022	2023
2	Irwin County Hospital	Irwin							
4	Northeast Georgia Medical Center Lumpkin	Lumpkin							
4	Dorminy Medical Center	Ben Hill							
5	Candler County Hospital	Candler							
8	Emanuel Medical Center	Emanuel							
9	St. Mary's Sacred Heart Hospital	Franklin							
10	Taylor Regional Hospital	Pulaski							
10	Stephens County Hospital	Stephens							
11	Wellstar Sylvan Grove Medical Center	Butts							
11	Memorial Hospital and Manor	Decatur							
11	Coffee Regional Medical Center	Coffee							
12	Northeast Georgia Medical Center Habersham	Habersham							
13	Navicent Health Baldwin	Baldwin							
14	Wayne Memorial Hospital	Wayne							
17	Washington County Regional Medical Center	Washington							
19	Burke Medical Center	Burke							
19	Evans Memorial Hospital	Evans							
19	Piedmont McDuffie Hospital	McDuffie							
20	Liberty Regional Medical Center	Liberty							
21	Piedmont Mountainside Hospital	Pickens							
22	Atrium Health Navicent Peach	Peach							
22	St. Mary's Good Samaritan Hospital	Greene							
22	Elbert Memorial Hospital	Elbert							
25	Jefferson Hospital	Jefferson							
26	Upson Regional Medical Center	Upson							
26	Wills Memorial Hospital	Wilkes							
27	Dodge County Hospital	Dodge							
28	Phoebe Sumter Medical Center	Sumter							
28	Jeff Davis Hospital	Jeff Davis							
29	Southeast Georgia Health System - Camden Campus	Camden							
29	Effingham Health System	Effingham							
29	Putnam General Hospital	Putnam							
30	Donalsonville Hospital	Seminole							
30	Tift Regional Medical Center	Tift							
31	Southwest Georgia Regional Medical Center	Randolph							
31	Southwell Medical	Cook							
33	Monroe County Hospital	Monroe							
34	Atrium Health Floyd Polk Medical Center	Polk							
35	Memorial Health Meadows Hospital	Toombs							
37	Appling Healthcare	Appling							
38	Miller County Hospital	Miller							
38	SGMC Berrien Campus	Berrien							
38	Higgins General Hospital	Haralson							
39	Colquitt Regional Medical Center	Colquitt							
40	Phoebe Worth Medical Center	Worth							
41	Bacon County Hospital	Bacon							
41	Bleckley Memorial Hospital	Bleckley							
42	Archbold Brooks	Brooks							

42	Morgan Medical Center	Morgan	[Redacted]
43	Archbold Grady	Grady	[Redacted]
44	Crisp Regional Hospital	Crisp	[Redacted]
45	Clinch Memorial Hospital	Clinch	[Redacted]
46	Jasper Memorial Hospital	Jasper	[Redacted]
46	AdventHealth Murray	Murray	[Redacted]
47	Jenkins County Medical Center	Jenkins	[Redacted]
47	SGMC Health Lanier	Lanier	[Redacted]
47	Union General Hospital	Union	[Redacted]
48	Chatuge Regional Hospital	Towns	[Redacted]
50	Archbold Mitchell	Mitchell	[Redacted]
50	Archbold Memorial	Thomas	[Redacted]

<sup>1</sup> Average financial need rank represents the hospital’s average rank on DCH’s ranking of financial need for the years that the hospital was eligible for the RHTC.

Source: DCH Donation and Expenditure Reports for 2017 and 2018, DOR Contribution Reports for 2019-2022, Georgia HEART Contribution Data for 2023, and DCH Financial Need Rankings for 2017-2023

## Appendix D: Summary of the RHTC Legislative History, Calendar Years 2016-2024

2016	<p><b>Senate Bill 258</b> created the RHTC and established a \$60 million annual aggregate credit limit. It allowed individual taxpayers to claim a tax credit of up to 70% of the amount contributed. Corporate taxpayers could claim a credit of up to 70% of the amount contributed or 75% of their annual tax liability, whichever was less.</p>
2017	<p><b>Senate Bill 180</b> limited third-party vendors to an administrative fee of 3% of hospital contributions. Additionally, it increased mid-year preapproval limits for individuals and raised the amount of credit individuals could claim to up to 90% of the amount contributed. Corporations could claim up to 90% of the amount contributed or 75% of annual tax liability, whichever was less.</p>
2018	<p><b>House Bill 769</b> increased the amount of credit individuals could claim to up to 100% of the amount contributed. Corporations could claim up to 100% of the amount contributed or 75% of annual tax liability, whichever was less.</p>
2019	<p><b>House Bill 186</b> required taxpayers to make a contribution within 180 days of preapproval.</p> <p><b>House Bill 321</b> added two financial measures to hospital eligibility criteria and required DCH to publish a list of eligible hospitals and a ranking of hospitals by financial need online. The legislation also directed undesignated contributions to the hospital with the greatest financial need, required DOR to make certain information available online, and required hospitals owned by nonprofits or municipal authorities to make certain financial and transparency documents available online. Finally, the legislation required DOAA to conduct an annual audit of the RHTC.</p>
2021	<p><b>House Bill 149</b> allowed pass-through entities to pay tax at the entity level and expanded RHTC eligibility to individual owners of pass-through entities.</p>
2022	<p><b>House Bill 1041</b> increased the annual aggregate credit limit to \$75 million.</p>
2023	<p><b>House Bill 412</b> allowed all partnership pass-through entities regardless of structure to pay taxes at the entity level and expanded RHTC eligibility to all forms of partnership.</p>
2024	<p><b>House Bill 1339</b> increased the annual aggregate credit limit to \$100 million and increased the mid-year preapproval limit for individuals with pass-through income. The legislation also made changes to the credit preapproval process. Lastly, the legislation extended the sunset provision for the RHTC to 2029.</p>

Source: Official Code of Georgia Annotated and [legis.ga.gov](http://legis.ga.gov)

## Appendix E: RHTC Preapproval and Tax Credit Limits, Tax Years 2017-2023

	2017	2018-2021	2022-2023
<b>Preapproval Limit through June 30<sup>1</sup></b>			
Individual <sup>2</sup>	\$5,000 individual \$10,000 married (initially \$2,500 and \$5,000)	\$5,000 individual \$10,000 married	\$5,000 individual \$10,000 married
C-Corporation or Trust <sup>3</sup>	Up to 75% of annual tax liability	Up to 75% of annual tax liability	Up to 75% of annual tax liability
Pass-Through Entity Electing to Pay Tax at the Entity Level <sup>3</sup> (starting 2022)	-	-	Up to 75% of annual tax liability
<b>Annual Tax Credit Amount</b>			
Individual <sup>2</sup>	Unlimited	Unlimited	Unlimited
C-Corporation or Trust	Up to 75% of annual tax liability	Up to 75% of annual tax liability	Up to 75% of annual tax liability
Pass-Through Entity Electing to Pay Tax at the Entity Level (starting 2022)	-	-	Up to 75% of annual tax liability

<sup>1</sup> Donation limits are removed after June 30, with donations preapproved on a first-come basis until the annual aggregate credit limit (\$75 million in 2023) is reached.

<sup>2</sup> Individual owners of pass-through entities have the same limits and credit amounts as married filing jointly, provided that the maximum credit "shall be allowed only for the portion of the income on which such tax was actually paid by such individual."

<sup>3</sup> While corporations and electing pass-through entities do not have an explicit preapproval limit, they are subject to a \$2 million limit on corporate preapprovals per hospital through June 30.

Source: O.C.G.A. §§ 48-7-29.20 and 48-7-21

## Appendix F: RHTC Contributions by Hospital, Tax Year 2023

Financial Need Rank	DCH Hospital Name	County	Contributions	(Average \$1,317,198)
1	Irwin County Hospital	Irwin	\$2,515,461	
2	Northeast Georgia Medical Center Lumpkin	Lumpkin	\$1,650,259	
3	St. Mary's Sacred Heart Hospital	Franklin	\$1,818,224	
4	Atrium Health Navicent Peach	Peach	\$248,100	
5	Wellstar Sylvan Grove Medical Center	Butts	\$2,552,710	
6	Northeast Georgia Medical Center Habersham	Habersham	\$579,874	
6	Piedmont McDuffie Hospital	McDuffie	\$953,749	
8	Stephens County Hospital	Stephens	\$776,322	
9	Emanuel Medical Center	Emanuel	\$851,070	
10	Southeast Georgia Health System - Camden Campus	Camden	\$2,186,717	
11	Candler County Hospital	Candler	\$2,198,499	
11	Memorial Hospital and Manor	Decatur	\$1,760,092	
13	Navicent Health Baldwin	Baldwin	\$848,350	
14	Coffee Regional Medical Center	Coffee	\$2,718,135	
15	Taylor Regional Hospital	Pulaski	\$846,887	
16	Dorminy Medical Center	Ben Hill	\$1,484,950	
16	St. Mary's Good Samaritan Hospital	Greene	\$3,330,261	
18	Washington County Regional Medical Center	Washington	\$469,249	
19	Wayne Memorial Hospital	Wayne	\$561,249	
20	Tift Regional Medical Center	Tift	\$2,449,346	
20	Upton Regional Medical Center	Upton	\$1,486,677	
22	Effingham Health System	Effingham	\$890,549	
23	Putnam General Hospital	Putnam	\$1,442,485	
24	Jefferson Hospital	Jefferson	\$851,622	
25	Phoebe Sumter Medical Center	Sumter	\$2,084,309	
26	Appling Healthcare	Appling	\$552,644	
27	Evans Memorial Hospital	Evans	\$747,270	
27	Atrium Health Floyd Polk Medical Center	Polk	\$520,245	
29	Crisp Regional Hospital	Crisp	\$1,548,673	
29	Southwell Medical	Cook	\$310,025	
31	Piedmont Mountainside Hospital	Pickens	\$2,730,620	
32	SGMC Lanier	Lanier	\$576,934	
33	Donalsonville Hospital	Seminole	\$465,249	
34	Higgins General Hospital	Haralson	\$2,781,827	
35	SGMC Berrien	Berrien	\$1,995,233	
36	Liberty Regional Medical Center	Liberty	\$1,166,379	
37	Dodge County Hospital	Dodge	\$1,692,293	
38	Archbold Grady	Grady	\$270,473	
39	Jasper Memorial Hospital	Jasper	\$661,589	
39	Miller County Hospital	Miller	\$467,249	
41	Archbold Brooks	Brooks	\$326,308	
41	Monroe County Hospital	Monroe	\$1,425,004	
43	Clinch Memorial Hospital	Clinch	\$665,084	
43	Jenkins County Medical Center	Jenkins	\$231,750	
43	Phoebe Worth Medical Center	Worth	\$656,089	
46	Elbert Memorial Hospital	Elbert	\$1,080,135	
47	Union General Hospital	Union	\$1,678,558	
48	Bacon County Hospital	Bacon	\$907,903	
49	Wills Memorial Hospital	Wilkes	\$1,068,800	
50	Colquitt Regional Medical Center	Colquitt	\$3,972,986	
50	Morgan Medical Center	Morgan	\$1,749,952	
52	Archbold Memorial	Thomas	\$2,506,852	
53	Chatuge Regional Hospital	Towns	\$972,936	
53	Archbold Mitchell	Mitchell	\$51,924	
55	Bleckley Memorial Hospital	Bleckley	\$1,109,749	

Source: Georgia HEART



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