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Reminder: Important (and Imminent) Tax Deadline for Parent Organizations of Tax-Exempt Health Care systems (and All Section 501C3 Type III Supporting Organizations)

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As you may recall, the Internal Revenue Service (IRS) issued final regulations regarding Section 501(c)(3) supporting organizations in December 2012. The imposition of an annual notice requirement for all “Type III Supporting Organizations” was among the important additions to the final regulations. Failure by the Type III Supporting Organization to provide the requisite notice to each supported organization could convert the Type III Supporting Organization to “private foundation” status, which would add additional regulatory burdens on the Type III Supporting Organization and would be time consuming to correct. Because most parent organizations in a tax-exempt health system are classified as Type III Supporting Organizations, this notification requirement likely applies to most health care systems.

To maintain its appropriate status, a Type III Supporting Organization must provide by mail, or electronic transmission, specific documents to each of its “supported organizations” by the last day of the fifth month, following the close of the taxable year to which the information pertains. For calendar-year taxpayers, that due date is May 31 (which date, unlike the Form 990 filing date, cannot be extended). The following documents must be provided to each supported organization:

1. A written notice describing the type and amount of support provided by the Type III Supporting Organization to the supported organization during the taxable year preceding the year in which the notice is provided
2. A copy of the Type III Supporting Organization’s Form 990 or 990-EZ most recently filed as of the date the notification is provided (i.e., this can be a prior year’s return if the current year’s return is not finalized)
3. A copy of the Type III Supporting Organization’s governing documents, as most recently amended, to the extent not previously provided

These documents must be postmarked or transmitted electronically by the un-extended filing deadline to satisfy the requirements under the final regulations. The 2014 version of the Form 990 now contains specific questions for Type III Supporting Organization to ensure the notification was provided in an adequate and timely manner.

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