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New IRS Regulations for Mixed-Use Projects Financed With Tax-Exempt Bonds Have Particular Importance for Nonprofit Health Care Organizations

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The **U.S. Treasury Department** and **Internal Revenue Service** published final regulations on October 27, 2015 concerning the treatment of “mixed-use” projects financed with tax-exempt bonds. These new regulations have particular importance for tax planning and tax compliance of 501(c)(3) health care organizations that are borrowers of tax-exempt bonds.

Although this post focuses on nonprofit health care organizations, the new regulations apply to tax-exempt bonds issued for the benefit of health care facilities owned by state or local governments in a similar manner.

A copy of the new final regulations can be obtained [here](#). See 80 FR 65637.

The new regulations most importantly facilitate the use of projects financed with tax-exempt bonds for “mixed-use” purposes (that is, uses that are treated as furthering exempt purposes of a section 501(c)(3) organization and “private use” purposes not generally permitted for projects financed with tax-exempt bonds). The “private uses” which are generally not permitted for property financed with qualified bonds include any unrelated trade or business use of a 501(c)(3) organization and certain uses pursuant to contracts with entities other than 501(c)(3) organizations and state or local governments. The new regulations have particular importance for nonprofit health care organizations because those organizations commonly have extensive contractual arrangements with private entities, and commonly have complex operations which include some amount of unrelated trade or business activity.

A more detailed description of the new rule regulations on health care facilities can be found [here](#).

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