



Treasury Inspector General for Tax Administration Office of Audit

AFFORDABLE CARE ACT: THE TAX EXEMPT AND GOVERNMENT ENTITIES DIVISION'S PLANNING EFFORTS FOR THE HEALTH CARE REFORM LEGISLATION

Issued on August 16, 2011

Highlights

Highlights of Report Number: 2011-10-085
to the Acting Commissioner, Tax Exempt and
Government Entities Division.

IMPACT ON TAXPAYERS

The Patient Protection and Affordable Care Act (ACA), along with amendments in the Health Care and Education Reconciliation Act of 2010, contains significant changes to the Nation's health care system. The Tax Exempt and Government Entities (TE/GE) Division has completed most of its initial planning activities for the ACA and is working on implementation activities. Our review did not identify any concerns relating to the methodology the TE/GE Division used to monitor and coordinate its planning efforts. Effective planning is critical to ensuring the TE/GE Division's readiness to implement this legislation.

WHY TIGTA DID THE AUDIT

This audit was initiated to determine how the TE/GE Division is planning for the health care reform legislation. The review is included in our Fiscal Year 2011 Annual Audit Plan and addresses the major management challenge of Implementing Health Care and Other Tax Law Changes.

WHAT TIGTA FOUND

The TE/GE Division established an internal Executive Steering Committee (ESC) and five implementation teams to oversee the planning for the ACA. Team meetings involving both the internal ESC and the five implementation teams were held on a monthly basis to discuss progress, issues identified, and actions planned. Significant action items and progress were also documented in a consolidated monthly status report.

The TE/GE Division has completed most of its initial planning activities and is working on implementation activities for the ACA provisions that went into effect in Tax Year 2010. In its planning for the ACA, the TE/GE Division identified nine separate provisions that could impact its customers. In order to address these

provisions, the TE/GE Division prepared 17 requests to revise tax forms and/or capture additional data. TIGTA did not identify any concerns relating to the TE/GE Division's identification of the ACA provisions applicable to its customers or the methodology used to monitor and coordinate its planning efforts.

Two of the nine provisions, the Small Employer Health Care Tax Credit and the additional requirements for tax-exempt hospitals, required the TE/GE Division to plan new processes for Tax Year 2010. To implement the Small Employer Health Care Tax Credit, the TE/GE Division coordinated the development of an IRS-wide strategy to address taxpayer compliance with requirements of the credit and planned for and initiated a program of compliance examinations of selected tax-exempt returns claiming the credit. As of May 21, 2011, TE/GE Division compliance personnel had initiated compliance reviews on 272 tax returns from tax-exempt organizations claiming this credit.

As required by the ACA, the TE/GE Division also planned and initiated a program of reviews of tax-exempt hospitals and began gathering information for the required annual report. As of April 30, 2011, the TE/GE Division had completed 570 (34 percent) of the 1,700 tax-exempt hospital reviews expected to be completed by the end of Calendar Year 2011.

WHAT TIGTA RECOMMENDED

TIGTA made no recommendations in this report. TE/GE Division management reviewed the report before it was issued and offered clarifying comments and suggestions, which have been taken into account.

READ THE FULL REPORT

To view the report, including the scope and methodology, go to:

<http://www.treas.gov/tigta/auditreports/2011reports/201110085fr.pdf>

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