

January 31, 2022

**ILLINOIS HEALTH AND HOSPITAL ASSOCIATION
STATE ADVOCACY ALERT**

SUBJECT: Urge IL House and Senate Revenue Committees to Pass Nonprofit Hospital Sales Tax Exemption and Investor-Owned Tax Credit Legislation

The Senate Revenue committee will hold a hearing on [Senate Bill 2951](#) on Feb. 2 at 4 p.m. and the House Revenue & Finance Committee will hold a hearing on [House Bill 4184](#) on Feb. 3 at 9 a.m. These bills would remove the sunset for nonprofit hospitals sales tax exemptions and extend the investor-owned hospital tax credit for five years. Both bills are sponsored by the Revenue Committee Chairs – Senator Mattie Hunter and Representative Mike Zalewski.

ACTIONS REQUESTED: Contact members of Senate Revenue Committee and urge them to support, co-sponsor, and vote YES on Senate Bill 2951. To look up the members of the committee, their contact information, and the hospitals in their districts, [click here](#). (Note, not all members have hospitals.)

Contact members of House Revenue & Finance Committee and urge them to support, co-sponsor, and vote YES on House Bill 4184. To look up the members of the committee, their contact information, and the hospitals in their districts, [click here](#). (Note, not all members have hospitals.)

Submit an electronic witness slip to the Senate committee, supporting Senate Bill 2951, by [clicking here](#). Submit an electronic witness slip to the House committee, supporting House Bill 4184, by [clicking here](#). When you fill out the form, be sure to mark the “**Proponent**” circle in Section III, and the “**Record of Appearance Only**” box in Section IV.

If you are a constituent of a committee member (i.e., you live or work in that member’s district), you can send an email message to that member by [clicking here](#).

SB 2951 and HB 4184 would remove the nonprofit hospital sales tax exemption from the automatic five-year sunset and extend the Investor-Owned income tax credit, originally enacted in 2012, for another five years. Sales tax exemptions would still only be valid for five years given the Illinois Department of Revenue (IDOR) exemption requirements. Investor-owned hospitals are eligible for a credit against state income taxes equal to the lesser of the amount of property taxes paid or the cost of free and discounted services provided at cost. If an investor-owned hospital provides no charity care, it receives no tax credit.

Suggested Talking Points:

Sales Tax Exemption

Hospitals are crucial for community health and economic stability.

- Non-profit hospitals are crucial for community health and economic stability. They have been exempt from Illinois sales tax for nearly 70 years, as they are in every state in the nation.
 - *Talk about your hospitals' specific services and programs that are important to your communities.*
- The 112 nonprofit hospitals reporting to the Illinois Attorney General provide over \$7 billion in community benefits, including \$635 million in charity care in 2020.
 - *Provide your hospitals' charity care and community benefits numbers.*
- Hospitals contribute directly to the economic well-being of their communities, providing jobs, purchasing goods and services, and generating a significant economic impact.
 - In Illinois, hospitals have a total economic impact of \$108.1 billion annually and create 493,000 jobs.
 - *Provide your hospitals' statistics, including number of employees, total payroll and benefits, any significant capital expenditures, etc.*

Sales tax exemption legislation

- The 2012 SMART Act made the test for the non-profit hospital sales tax exemption match the test for the non-profit hospital property tax exemption that was also included in the SMART Act.
- That change in the exemption test passed with strong bipartisan support and every non-profit hospital is now exempt from sales tax under that "new" provision.
- Prior to 2012, the nonprofit hospital sales tax exemption had not been subject to the sunset, but the SMART Act legislation inadvertently made it subject to the sunset.
- Hospital sales tax exemptions are already limited to five years by IDOR. IDOR only issues exemption certificates for a five year period, so there is no need to have the law amended every five years.
- The legislation would ensure that non-profit hospitals have certainty of what is required to maintain sales tax exemption as they reapply every five years to the IDOR.
 - *Share what it would mean to your hospital if it had to pay sales tax.*
- Extending the sunset has no effect on the state budget since non-profit hospitals have never paid sales tax. Exempting hospitals' purchase of medicine, supplies and equipment from sales tax supports the public policy goal of controlling health care costs.

- The General Assembly has exempted other vital industries from sales tax – such as farming, mining, and manufacturing. Like these industries, hospitals are an economic engine in their local communities.

Investor-Owned Hospital Tax Credit

Investor-owned hospitals are a critical part of the state’s health care delivery system

- Illinois’ 27 investor-owned hospitals comprise nearly 13 percent of the state’s hospitals and more than 60 percent of the state’s specialty hospitals (psychiatric, long-term acute care, rehabilitation, cancer care and other services). 10 are general acute care and 17 are specialty hospitals.
- Investor-owned hospitals, whether they provide general acute or specialty medical care, are the site of many important community health care services, such as comprehensive emergency services, behavioral health and perinatal centers.
 - *Talk about your hospitals’ specific services and programs that are important to your communities.*
- Investor-owned hospitals in Illinois provided \$32M in charity care, \$162M in other unpaid community benefits and \$121M in care to patients not paying their bills in 2020.
 - *Provide your hospitals’ charity care and community benefits numbers.*
- 59% of investor-owned hospitals are located in Medically Underserved Areas and nearly two-thirds of their patients are covered by Medicaid and Medicare, so nearly two-thirds of patients are being reimbursed at a loss.
 - *Talk about your hospital’s payer mix.*
- 70% of investor-owned hospitals are Medicaid Disproportionate Share Hospitals.
- Investor-owned hospitals contribute directly to the economic well-being of their communities, providing jobs, purchasing goods and services, and generating a significant economic impact.
 - In Illinois, investor-owned hospitals have a total economic impact of \$4.1 billion annually, directly employing more than 10,400.
 - *Provide your hospitals’ statistics, including number of employees, total payroll and benefits, any significant capital expenditures, etc.*

Tax policy should support good health policy

- Investor-owned hospitals in Illinois provide a substantial amount of charity care (more than \$32 million annually) to uninsured and underinsured individuals. The legislation appropriately recognizes and supports that contribution as important to the state, patients and the health care delivery system.
- By providing care for the uninsured, investor-owned hospitals are providing services that are typically not reimbursed in any way. Investor-owned hospitals are a key part of

the health care safety net for those persons unable to pay, and this community service should be recognized.

- Investor-owned hospitals are good corporate citizens who make critical and important contributions to their communities through the health care services they provide, their charity care and their significant economic impact, and it is appropriate to recognize those contributions.
- Investor-owned hospitals paid \$32M in property, sales and income taxes in 2020.
- The tax credit is not unlimited—the tax credit is capped at the lesser of charity care or property tax paid and is estimated at \$15M annually.
- The tax credit for investor-owned hospitals does NOT deprive local government of property tax revenue—the investor-owned hospital still pays the full amount of its local property taxes. And the tax credit has no impact on the state budget since it has been in place since 2012.
- Please support and co-sponsor SB 2951/HB 4184.

[Contact us](#) with any questions.