

Georgia Rural Hospital Organization Tax Credit: What is the state and federal income tax impact on my HEART contribution?

State Tax Impact

Taxpayers receive a 100% Georgia income tax credit for contributions to rural hospitals.

- An income tax credit literally reduces your Georgia income tax, dollar-for-dollar
- This state tax treatment is unchanged – it was originally, and remains, the primary tax incentive for taxpayers to participate in Georgia HEART
- In essence, taxpayers may pay a portion of their Georgia income taxes – an expenditure that they are required to make anyway – through contributing to support and sustain Georgia’s rural hospitals!

Federal Tax Impact

IRS Regulations, finalized in June 2019, make it clear that taxpayers will experience no cost or financial advantage for contributing to state income tax programs, like Georgia HEART. Their contribution will simply be a “wash” for federal income tax purposes.

- Before 2018: For the majority of taxpayers, a HEART contribution was simply a “wash” for purposes of the federal tax impact – no cost or financial advantage
- In 2018: Federal tax legislation (Tax Cuts & Jobs Act) created a financial advantage for many taxpayers: all those who itemized and owed more than \$10,000 in state and local (SALT) taxes
- Beginning August 27, 2018: Proposed IRS Regulations removed the federal tax financial advantage for all taxpayers, and created a potential cost for some – an unintended penalty, due to a poorly drafted provision
- Today: Per Final (revised) IRS Regulations, the unintended penalty is removed, and there is no federal income tax cost associated with a Georgia HEART contribution!

Philanthropic Impact

The purpose of the HEART Rural Hospital Tax Credit is to provide Georgia taxpayers with the opportunity to make a meaningful philanthropic impact within our state – at no cost.

- It was never anticipated that taxpayers would be able to ‘make money’ at the federal level, even though we experienced that outcome for a portion of 2018
- The Final IRS Regulations restore the good news that Georgia taxpayers may act on their altruistic motivations to improve access to quality healthcare in our rural communities, with very little effort and at no cost!