

Georgia Rural Hospital Organization Expense Credit Contribution Illustrations (Reflecting federal tax laws for 2018 under the 2017 Tax Cuts and Jobs Act, and Georgia House Bill 769 signed into law on May 2, 2018)

Illustrations of Tax Consequences for Individuals and Married Couples who Itemize Deductions (1)

No Charitable Contribution vs. Maximum Contribution to a Qualified Rural Hospital Organization (QRHO)(Post-Credit)

Overall: The credit (lesser of 100% of amount contributed or 100% of Georgia tax liability) provides taxpayers, whose SALT deduction is limited, with the opportunity to make a contribution to a qualifying rural hospital organization with little to no net cash outlay. Taxpayers, whose SALT deduction is limited both before and after the contribution, will receive a cash benefit by making a maximum contribution to a qualifying rural hospital organization. These taxpayers will trade a non-deductible state income tax payment for a fully deductible charitable contribution, and the net tax benefit will equal the amount of the contribution multiplied by the taxpayer's federal marginal tax rate. (2)

	INDIVIDUALS WHO ITEMIZE							
	SALT DEDUCTION LIMITED BEFORE CONTRIBUTION				SALT DEDUCTION LIMITED BEFORE AND AFTER CONTRIBUTION			
	MAXIMUM RURAL HOSPITAL CONTRIBUTION (POST-CREDIT)		MAXIMUM RURAL HOSPITAL CONTRIBUTION (POST-CREDIT)		MAXIMUM RURAL HOSPITAL CONTRIBUTION (POST-CREDIT)		MAXIMUM RURAL HOSPITAL CONTRIBUTION (POST-CREDIT)	
	NO CHARITABLE CONTRIBUTION	NO CHARITABLE CONTRIBUTION	NO CHARITABLE CONTRIBUTION	NO CHARITABLE CONTRIBUTION	NO CHARITABLE CONTRIBUTION	NO CHARITABLE CONTRIBUTION	NO CHARITABLE CONTRIBUTION	NO CHARITABLE CONTRIBUTION
	SINGLE	SINGLE	MARRIED FILING JOINTLY	MARRIED FILING JOINTLY	SINGLE	SINGLE	MARRIED FILING JOINTLY	MARRIED FILING JOINTLY
Federal								
Adjusted Gross Income (3)	175,000	175,000	250,000	250,000	500,000	500,000	750,000	750,000
Itemized Deductions								
State/Local Income & Property Taxes Paid (SALT HEART-Friendly SALT Substitute (4))	(13,000)	(13,000)	(17,000)	(17,000)	(43,000)	(43,000)	(62,000)	(62,000)
Excess over Limit on SALT Deduction (5)	3,000	-	7,000	-	33,000	5,452	52,000	10,104
Mortgage Interest Deduction for Rural Hospital Contribution	(12,000)	(12,000)	(16,000)	(16,000)	(25,000)	(25,000)	(30,000)	(30,000)
Taxable Income	153,000	150,000	224,000	217,000	465,000	437,452	710,000	668,104
Federal Regular Tax	31,010	30,290	42,339	40,659	138,440	128,798	202,079	186,577
0.9% Additional Medicare Tax	-	-	-	-	2,700	2,700	4,500	4,500
Total Federal Tax	31,010	30,290	42,339	40,659	141,140	131,498	206,579	191,077
Georgia								
Federal AGI	175,000	175,000	250,000	250,000	500,000	500,000	750,000	750,000
Addback of Rural Hospital Contribution	-	9,200	-	13,102	-	27,548	-	41,896
Georgia Itemized Deductions	(22,000)	(25,000)	(26,000)	(33,000)	(35,000)	(62,548)	(40,000)	(81,896)
Georgia Personal Exemptions	(2,700)	(2,700)	(7,400)	(7,400)	(2,700)	(2,700)	(7,400)	(7,400)
Georgia Taxable Income	150,300	156,500	216,600	222,702	462,300	462,300	702,600	702,600
Georgia Tax Before Credit	8,828	9,200	12,736	13,102	27,548	27,548	41,896	41,896
Georgia Rural Hospital Organization Tax Credit	-	(9,200)	-	(13,102)	-	(27,548)	-	(41,896)
Net Georgia Tax	8,828	-	12,736	-	27,548	-	41,896	-
Net Federal and Georgia Tax	39,838	30,290	55,075	40,659	168,688	131,498	248,475	191,077
Contribution Paid	-	9,200	-	13,102	-	27,548	-	41,896
Net Cash Outlay	39,838	39,490	55,075	53,761	168,688	159,046	248,475	232,973
Net Cash Benefit/(Loss) to Taxpayer		349		1,314		9,642		15,502
Tax Benefit to Hospital		9,200		13,102		27,548		41,896

Comments on Illustrations:

- Illustrations assume 2018 federal and Georgia tax rates, and contributions made in 2018 on or after July 1, 2018.
- The illustrations take the position under current law, based on the IRS ruling in CCA 201105010 and several court opinions (including *Temple v. Commissioner*; *Route 231 LLC v. Commissioner*; and *SWF Real Estate LLC v. Commissioner*) that the amount of the donor's charitable contribution deduction is not reduced by the value of state tax benefits.
- AGI is assumed to include wages only.
- This amount reflects a reduction of state income taxes paid due to the offsetting credit received for a charitable contribution to a qualified rural hospital organization.
- Beginning for the 2018 tax year, the deduction for state and local income and property taxes ("SALT" deduction) is limited to \$10,000 for all individual taxpayers.

Georgia: For individuals the credit is equal to the actual amount expended, up to the individual's Georgia tax liability.

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Georgia Rural Hospital Organization Expense Credit Contribution Illustrations (Reflecting federal tax laws for 2018 under the 2017 Tax Cuts and Jobs Acts, and Georgia House Bill 769 signed into law on May 2, 2018)
 Illustrations of Tax Consequences for Individuals and Married Couples who Do Not Itemize Deductions (1)
 No Charitable Contribution vs. Maximum Contribution to a Qualified Rural Hospital Organization (QRHO)(Post-Credit)
 Overall: The credit (lesser of 100% of contribution or 100% of Georgia tax liability) provides taxpayers with the opportunity to make a contribution to a qualifying rural hospital organization while recouping 100% of their total contribution. (2)

	INDIVIDUALS TAKING STANDARD DEDUCTION							
	<u>MAXIMUM RURAL HOSPITAL CONTRIBUTION (POST-CREDIT)</u>		<u>MAXIMUM RURAL HOSPITAL CONTRIBUTION (POST-CREDIT)</u>		<u>MAXIMUM RURAL HOSPITAL CONTRIBUTION (POST-CREDIT)</u>		<u>MAXIMUM RURAL HOSPITAL CONTRIBUTION (POST-CREDIT)</u>	
	<u>NO CHARITABLE CONTRIBUTION</u>	<u>NO CHARITABLE CONTRIBUTION</u>	<u>NO CHARITABLE CONTRIBUTION</u>	<u>NO CHARITABLE CONTRIBUTION</u>	<u>NO CHARITABLE CONTRIBUTION</u>	<u>NO CHARITABLE CONTRIBUTION</u>	<u>NO CHARITABLE CONTRIBUTION</u>	<u>NO CHARITABLE CONTRIBUTION</u>
	SINGLE	SINGLE	MARRIED FILING JOINTLY	MARRIED FILING JOINTLY	SINGLE	SINGLE	MARRIED FILING JOINTLY	MARRIED FILING JOINTLY
Federal								
Adjusted Gross Income (3)	50,000	50,000	50,000	50,000	100,000	100,000	100,000	100,000
Standard Deduction	(12,000)	(12,000)	(24,000)	(24,000)	(12,000)	(12,000)	(24,000)	(24,000)
Taxable Income	38,000	38,000	26,000	26,000	88,000	88,000	76,000	76,000
Federal Regular Tax	4,370	4,370	2,739	2,739	15,410	15,410	8,739	8,739
0.9% Additional Medicare Tax	-	-	-	-	-	-	-	-
Total Federal Tax	4,370	4,370	2,739	2,739	15,410	15,410	8,739	8,739
Georgia								
Federal AGI	50,000	50,000	50,000	50,000	100,000	100,000	100,000	100,000
Georgia Standard Deductions	(4,600)	(4,600)	(6,000)	(6,000)	(4,600)	(4,600)	(6,000)	(6,000)
Georgia Personal Exemptions	(2,700)	(2,700)	(7,400)	(7,400)	(2,700)	(2,700)	(7,400)	(7,400)
Georgia Taxable Income	42,700	42,700	36,600	36,600	92,700	92,700	86,600	86,600
Georgia Tax Before Credit	2,375	2,375	1,939	1,939	5,375	5,375	4,939	4,939
Georgia Rural Hospital Organization Tax Credit	-	(2,375)	-	(1,939)	-	(5,375)	-	(4,939)
Net Georgia Tax	2,375	-	1,939	-	5,375	-	4,939	-
Net Federal and Georgia Tax	6,745	4,370	4,678	2,739	20,785	15,410	13,678	8,739
Contribution Paid	-	2,375	-	1,939	-	5,375	-	4,939
Net Cash Outlay	6,745	6,745	4,678	4,678	20,785	20,785	13,678	13,678
Net Cash Benefit/(Loss) to Taxpayer	-	-	-	-	-	-	-	-
Tax Benefit to Hospital	-	2,375	-	1,939	-	5,375	-	4,939

Comments on Illustrations:

- (1) Illustrations assume 2018 federal and Georgia tax rates, and contributions made in 2018 on or after July 1, 2018.
- (2) The illustrations take the position under current law, based on the IRS ruling in CCA 201105010 and several court opinions (including *Temple v. Commissioner* ; *Route 231 LLC v. Commissioner* ; and *SWF Real Estate LLC v. Commissioner*) that the amount of the donor's charitable contribution deduction is not reduced by the value of state tax benefits.
- (3) AGI is assumed to include wages only.

Federal: Individuals that take the standard deduction and do not deduct state income taxes or charitable contributions will have no federal consequence in making a Qualified Rural Hospital Organization contribution.

Georgia: For individuals the credit is equal to the actual amount expended, up to the individual's Georgia tax liability.

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Georgia Rural Hospital Organization Expense Credit Contribution Illustrations (Reflecting federal tax laws for 2018 under the 2017 Tax Cuts and Jobs Acts, and Georgia House Bill 769 signed into law on May 2, 2018)

Illustrations of Tax Consequences for Taxpayers Organized as C Corporations (1)

No Charitable Contribution vs. Maximum Contribution to Qualified Rural Hospital Organization (QRHO)

Overall: The credit (lesser of 100% of contribution or 75% of GA income tax liability) provides taxpayers the opportunity to reduce their net taxes by contributing to a qualifying rural hospital organization, with minimal net cash outlay. (2)

	C-Corporations							
	100% GA		20% GA Apportionment		100% GA		20% GA Apportionment	
	<u>NO CHARITABLE CONTRIBUTION</u>	<u>MAXIMUM RURAL HOSPITAL CONTRIBUTION</u>	<u>NO CHARITABLE CONTRIBUTION</u>	<u>MAXIMUM RURAL HOSPITAL CONTRIBUTION</u>	<u>NO CHARITABLE CONTRIBUTION</u>	<u>MAXIMUM RURAL HOSPITAL CONTRIBUTION</u>	<u>NO CHARITABLE CONTRIBUTION</u>	<u>MAXIMUM RURAL HOSPITAL CONTRIBUTION</u>
Federal								
Federal Taxable Income Before State Tax Deduction	100,000	100,000	100,000	100,000	1,000,000	1,000,000	1,000,000	1,000,000
Deduction for Rural Hospital Contribution		(4,433)		(897)		(44,335)		(8,973)
Accrued Other States Taxes (assumes 6% rate)			(4,800)	(4,757)			(48,000)	(47,569)
Accrued Georgia State Tax	(5,660)	(1,478)	(1,186)	(299)	(56,604)	(14,778)	(11,858)	(2,991)
Adjusted Federal Taxable Income	94,340	94,089	94,014	94,047	943,396	940,887	940,142	940,467
Federal Tax	19,811	19,759	19,743	19,750	198,113	197,586	197,430	197,498
Georgia								
Federal Taxable Income	94,340	94,089	94,014	94,047	943,396	940,887	940,142	940,467
Addback Other State Taxes			4,800	4,757			48,000	47,569
Georgia Contribution Addback	-	4,433		897	-	44,335		8,973
Georgia Taxable Income	94,340	98,522	19,763	19,940	943,396	985,222	197,628	199,402
Georgia Tax @ 6% before tax credit	5,660	5,911	1,186	1,196	56,604	59,113	11,858	11,964
Georgia Rural Hospital Organization Tax Credit (75% max) (3)	-	(4,433)	-	(897)	-	(44,335)	-	(8,973)
Georgia Tax	5,660	1,478	1,186	299	56,604	14,778	11,858	2,991
Other States								
Federal Taxable Income			94,014	94,047			940,142	940,467
Addback Other State Taxes			4,800	4,757			48,000	47,569
Accrued Georgia State Tax			1,186	299			11,858	2,991
Other States Taxable Income			100,000	99,103			1,000,000	991,027
80% Apportionment			80,000	79,282			800,000	792,822
Accrued Other States Taxes (assumes 6% rate)			4,800	4,757			48,000	47,569
Net Federal and Georgia Tax	25,472	21,236	20,929	20,049	254,717	212,365	209,288	200,489
Other State Taxes (assume 6% of remaining 80% of income)	-	-	4,800	4,757			48,000	47,569
Contribution paid	-	4,433	-	897	-	44,335	-	8,973
Net Cash Outlay	25,472	25,670	25,729	25,703	254,717	256,699	257,288	257,031
Net Cash Benefit/(Loss) to Taxpayer		(198)		26		(1,982)		256
Tax Benefit to Hospital		4,433		897		44,335		8,973

Comments on Illustrations:

(1) Illustrations assume 2018 federal and Georgia tax rates, and contributions made in 2018 on or after July 1, 2018.

(2) The illustrations take the position under current law, based on the IRS ruling in CCA 201105010 and several court opinions (including *Temple v. Commissioner*; *Route 231 LLC v. Commissioner*; and *SWF Real Estate LLC v. Commissioner*) that the amount of the donor's charitable contribution deduction is not reduced by the value of state tax benefits.

(3) Corporations are allowed a Georgia income tax credit for qualified rural hospital organization expense in an amount not to exceed the actual amount expended or 75% of the corporation's income tax liability; whichever is less.

Georgia: C Corporations receive a Georgia tax benefit equal to approximately 85 - 89% of the contribution, as a result of several factors. The Georgia tax credit for 100% of the amount of the contribution (up to 75% of Georgia tax liability) is offset by 6% additional Georgia taxes on higher Georgia income. The higher Georgia income is due to the addback of the amount of the contribution.

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	POTENTIAL SEC. 199A DEDUCTION FROM "PASSTHROUGH" INCOME (5)							
	TAXABLE INCOME < \$315,000		TAXABLE INCOME > \$415,000 (FROM SPECIFIED SERVICE BUSINESS)		TAXABLE INCOME > \$415,000 (NOT FROM SPECIFIED SERVICE BUSINESS, W/ SUFFICIENT W-2 AND/OR PROPERTY)		TAXABLE INCOME > \$415,000 (NOT FROM SPECIFIED SERVICE BUSINESS, W/ SUFFICIENT W-2 AND/OR PROPERTY)	
	NO CHARITABLE CONTRIBUTION MARRIED FILING JOINTLY	MAXIMUM RURAL HOSPITAL CONTRIBUTION (POST-CREDIT) MARRIED FILING JOINTLY	NO CHARITABLE CONTRIBUTION MARRIED FILING JOINTLY	MAXIMUM RURAL HOSPITAL CONTRIBUTION (POST-CREDIT) MARRIED FILING JOINTLY	NO CHARITABLE CONTRIBUTION MARRIED FILING JOINTLY	MAXIMUM RURAL HOSPITAL CONTRIBUTION (POST-CREDIT) MARRIED FILING JOINTLY	NO CHARITABLE CONTRIBUTION MARRIED FILING JOINTLY	MAXIMUM RURAL HOSPITAL CONTRIBUTION (POST-CREDIT) MARRIED FILING JOINTLY
	Federal							
W-2 Income	-	-					300,000	300,000
Passthrough Income (from Schedules C or E)	300,000	300,000	750,000	750,000	750,000	750,000	450,000	450,000
Adjusted Gross Income	300,000	300,000	750,000	750,000	750,000	750,000	750,000	750,000
Itemized Deductions								
State/Local Income & Property Taxes Paid (SALT)	(22,000)	(22,000)	(62,000)	(62,000)	(62,000)	(62,000)	(62,000)	(62,000)
HEART-Friendly SALT Substitute (3)	-	15,719	-	41,896	-	41,896	-	41,896
Excess over Limit on SALT Deduction (4)	12,000	-	52,000	10,104	52,000	10,104	52,000	10,104
Mortgage Interest	(20,000)	(20,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)	(30,000)
Deduction for Rural Hospital Contribution		(15,719)		(41,896)		(41,896)		(41,896)
Sec. 199A Deduction	(54,000)	(51,600)	-	-	(142,000)	(133,621)	(90,000)	(90,000)
Taxable Income	216,000	206,400	710,000	668,104	568,000	534,483	620,000	578,104
Federal Regular Tax	40,419	38,115	202,079	186,577	150,179	138,448	168,779	153,715
0.9% Additional Medicare Tax	900	900	4,500	4,500	4,950	4,950	4,500	4,500
Total Federal Tax	41,319	39,015	206,579	191,077	155,129	143,398	173,279	158,215
Georgia								
Federal AGI	300,000	300,000	750,000	750,000	750,000	750,000	750,000	750,000
Addback of Rural Hospital Contribution	-	15,719	-	41,896	-	41,896	-	41,896
Georgia Itemized Deductions	(30,000)	(42,000)	(40,000)	(81,896)	(40,000)	(81,896)	(40,000)	(81,896)
Georgia Personal Exemptions	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)	(7,400)
Georgia Taxable Income	262,600	266,319	702,600	702,600	702,600	702,600	702,600	702,600
Georgia Tax Before Credit	15,496	15,719	41,896	41,896	41,896	41,896	41,896	41,896
Georgia Rural Hospital Organization Tax Credit	-	(15,719)	-	(41,896)	-	(41,896)	-	(41,896)
Net Georgia Tax	15,496	-	41,896	-	41,896	-	41,896	-
Net Federal and Georgia Tax	56,815	39,015	248,475	191,077	197,025	143,398	215,175	158,215
Contribution Paid		15,719		41,896		41,896		41,896
Net Cash Outlay	56,815	54,734	248,475	232,973	197,025	185,294	215,175	200,111
Net Cash Benefit/(Loss) to Taxpayer		2,081		15,502		11,731		15,064
Tax Benefit to Hospital		15,719		41,896		41,896		41,896

Comments on Illustrations:

(1) Illustrations assume 2018 federal and Georgia tax rates, and contributions made in 2018 on or after July 1, 2018.

(2) The illustrations take the position under current law, based on the IRS ruling in CCA 201105010 and several court opinions (including *Temple v. Commissioner*; *Route 231 LLC v. Commissioner*; and *SWF Real Estate LLC v. Commissioner*) that the amount of the donor's charitable contribution deduction is not reduced by the value of state tax benefits.

(3) This amount reflects a reduction of state income taxes paid due to the offsetting credit received for a charitable contribution to a qualified rural hospital organization.

(4) Beginning for the 2018 tax year, the deduction for state and local income and property taxes ("SALT" deduction) is limited to \$10,000 for all individual taxpayers.

(5) Section 199A, added by the 2017 Tax Cuts and Jobs Act, provides a deduction (for federal tax only) for income from a passthrough entity or sole proprietorship, with a number of limitations. Generally, the deduction is limited to the lesser of 20% of the passthrough's net income, or 20% of the individual's taxable income. Income from certain specified service businesses is not eligible if the individual's taxable income exceeds \$415,000 (MFJ) or \$207,500 (Single).

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