

Public Health Departments and Non-Profit Organizations (NPO's)

Overview

Public health departments are governmental agencies while most hospitals in this country (over 75%) are classified as nonprofit organizations (NPOs). Governmental agencies and NPO's operate under different financial mechanisms than for-profit organizations, which dominate most industries. This means that they are tax-exempt from federal and state corporate income taxes. In addition, some NPOs enjoy additional benefits such as relief from property tax and sales tax. This lesson reviews the distinction between the profit and nonprofit paradigm as well as the implication each paradigm has for the health care industry.

Objectives

By the end of this module, you will be able to

- Describe two rationales for the government to grant tax-exempt status to health care corporations.
- List three criteria required for corporations to qualify for tax-exempt status.
- Explain why the profit and nonprofit distinction is a legal distinction rather than a financial distinction.
- Describe four tax exemptions for a nonprofit organization.
- Describe four restrictions for a nonprofit organization.
- Explain the magnitude of nonprofit status for health care organizations.

Learning Activities

1. **Reading:**
 - The **Study Notes** for this module
2. **Study Questions:** Answer the **Study Questions** for this lesson