

Hospital owner's charity may have avoided taxes

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A foundation controlled by Dr. Prem Reddy, the driving force behind Southern California's fast-growing Prime Healthcare Services hospital chain, may have avoided hundreds of thousands of dollars in federal taxes through a questionable charitable gift, tax experts said.

Public records show that in 2009, a \$1 million charitable donation made by Reddy's family foundation wound up in the coffers of the Prime Healthcare Services Foundation, another nonprofit controlled by Reddy that owns two of the chain's 14 hospitals and is trying to buy a third.

Federal law requires private foundations to donate a minimum percentage of their assets to approved charities or face hefty taxes, and the family foundation didn't appear to have met that requirement, according to three tax experts who reviewed the filings for California Watch. The tax bill is potentially \$217,000.

The foundation's tax returns for 2009, the most recent ones made public, don't reflect payment of these taxes.

One expert said the unusual transactions might have been subject to an additional IRS tax that applies to bequests from one private foundation to another. That tax liability would be an additional \$210,000.

"Things have not all been done as things should be," said Aaron Dorfman, executive director for the National Committee for Responsive Philanthropy in Washington, D.C.

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