Summary of Provisions in Final Tax Reform Bill That Would Impact Exempt Organizations

Provision IRC Sec.	Summary of Provision	Effective Dates	Conference Bill Section	Score*
Charitable Contribution Incentive				
Charitable Contribution Deduction § 170	Leaves the charitable contribution deduction in place as an itemized deduction. No "universal" or "above-the-line" deduction.	N/A	N/A	N/A
Percentage Limitations § 170(b)(1)	Increases the individual percentage-of-income limitation for cash gifts from 50% to 60%, until the end of 2025.	Contributions made in tax years beginning after 12/31/17 and before 1/1/26	§ 11023	No separate score
Ticket Rights § 170(l)	Denies deduction for contributions linked to rights to purchase tickets to college athletic events.	Contributions made in tax years beginning after 12/31/17	§ 13704	$2.0 billion
Donee Reporting § 170(f)(8)(D)	Repeals the controversial option in section 170(f)(8)(D) whereby IRS may allow donee organizations to report charitable contributions to IRS instead of sending a contemporaneous written acknowledgement to donor.	Contributions made in tax years beginning after 12/31/16	§ 13705	Negligible effect
Indirect Impact on Giving Incentive § 170	Increases the standard deduction while repealing and limiting some itemized deductions. Reduces the marginal tax rates for individuals, corporations, and certain pass-through business income. Doubles the credit against estate, gift, and generation skipping transfer tax. Consequently, reduces the number of taxpayers taking itemized deductions, effectively limits the benefit of the current charitable contribution deduction, and weakens the tax incentive to make charitable contributions at death from 2018 through 2025.	Generally 2018-2025	N/A	N/A

*Scores are based on the Joint Committee on Taxation's Estimated Budget Effects of The Conference Agreement, JCX-67-17, which estimates the effect of provisions on the federal budget over a ten-year window from 2018-2027. Positive scores indicate that a provision raises federal revenues; negative scores indicate that a provision reduces federal revenues. Scores for (i) the new tax on investment incomes of some private colleges and (ii) the changes to education savings accounts are based on prior versions of those provisions that were amended prior to final passage of the bill.

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Steptoe
STEPTOE & JOHNSON LLP

Provision IRC Sec.	**Summary of Provision**	**Effective Dates**	**Conference Bill Section**	**Score***
Unrelated Business Income Tax (UBIT)				
UBIT – **Fringe Benefits** § 512(a)	Expands UBIT to tax certain amounts paid or incurred for certain fringe benefits provided to employees (qualified transportation, qualified parking, and on-premises athletic facilities) if they are not deductible by taxable employers because of section 274. (Noted below as well).	Amounts paid or incurred after 12/31/17	§ 13703	No separate score
UBIT – **Compute Separate Businesses Separately** § 512(a)	Requires that UBTI be computed separately with respect to each separate business, so deductions from one business generally cannot offset income from another.	Generally tax years beginning after 12/31/17	§ 13702	$3.5 billion
Charity Investment and Financing				
New Tax on Investment Income of Some Private Colleges new § 4968	Imposes a 1.4% excise tax on the net investment income of private colleges and universities with more than 500 students (provided more than half are in the United States) and assets in excess of $500,000 per student. For purposes determining net investment income and calculating assets per student, assets and net investment income of certain related organizations generally are taken into account. Related organizations include organizations that control, are controlled by, or are under common control with the college, as well as supported or supporting organizations of the college. All assets and income of controlled and supporting organizations may be taken into account. Assets and income of other related organizations generally taken into account only if intended or available for the use or benefit of the college. Amounts held by related organizations will not be taken into account with respect to multiple colleges.	Tax years beginning after 12/31/17	§ 13701	$1.8 billion*

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Provision IRC Sec.	Summary of Provision	Effective Dates	Conference Bill Section	Score*
Tax-Exempt Bonds § 149(d)	Repeals the current income tax exclusion for interest on advance refunding bonds.	Bonds issued after 12/31/17	§ 13532	$17.4 billion
Qualified Opportunity Zones new §§ 1400Z-1, 1400Z-2	New incentive to fund economic development in certain low-income community population census tracts designated as "qualified opportunity zones" (QOZs). Generally allows deferral of gain on sale of appreciated investments if sale proceeds are invested in QOZs through "qualified opportunity funds" that are certified by the Department of Treasury's Community Development Financial Institutions Fund. Certain low-income population census tracts in U.S. possessions would automatically be designated as qualified opportunity zones.	Effective as of the date of enactment; tax incentives generally expire by the end of 2026	§ 13823	-$1.6 billion
Employee Salaries/Benefits				
Excise Tax on EO Employee Compensation new § 4960	Imposes a 21% excise tax on certain compensation over $1 million paid to "covered employees" by tax-exempt employers. Also imposes an excise tax similar to the parachute tax under section 280G on payments to covered employees that are contingent upon a separation from employment. Covered employees generally include the top five highly compensated employees for the current and any prior year after the effective date. Parachute payments paid to employees who are not "highly compensated" under section 414(q) are excluded, and special rules apply to exempt some payments made to certain licensed medical professionals.	Tax years beginning after 12/31/17	§ 13602	$1.8 billion

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Fringe Benefits Subject to UBIT § 512(a)	Expands UBIT to tax certain amounts paid or incurred for certain fringe benefits provided to employees (qualified transportation, qualified parking, and on-site athletic facilities) if they are not deductible by taxable employers because of section 274. (Noted above as well).	Amounts paid or incurred after 12/31/17	§ 13703	No separate score
Moving Expenses §§ 132(g), 217	Generally suspends the exclusion from employee gross income for qualified moving expense reimbursements and disallows employee and employer business expense deductions for moving expenses. (An exception is available for certain active duty military moves.)	Reimbursements received after 12/31/17 and before 1/1/26	§§ 11048, 11049	$7.6 billion
Education Incentives				
Education Savings Accounts § 529	Allows Section 529 accounts to be used for up to $10,000 of elementary and secondary school tuition.	Distributions after 12/31/17	§ 11032	-$0.5 billion*
Student Loans § 108(f)	Excludes from income student loan discharges for death or disability.	Discharges of indebtedness after 12/31/17 and before 1/1/26	§ 11031	-$0.1 billion
ABLE Accounts § 529A	Allows rollovers from Section 529 plans into ABLE accounts, and increases contribution limit for ABLE accounts.	Generally 2018 -2025	§§ 11024, 11025	Loss of less than $50 million
Miscellaneous				
Local Lobbying Expenses § 162(e)	Disallows deduction for expenses incurred in connection with legislation of any local council or similar governing body. As with other lobbying expenses, these expenses will now have to be properly tracked and reported by section 501(c)(4), 501(c)(5), and 501(c)(6) organizations.	Amounts paid or incurred after 12/22/17	§ 13308	$0.8 billion

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