

July 2017

## Private Foundations Bulletin

### Here We Go Again: Proposed Tax Reform

Recently, two members of the Senate Finance Committee introduced a bill entitled “Charities Helping Americans Regularly Throughout the Year (CHARITY) Act of 2017” (the “Bill”). Similar to prior bills introduced in the Senate, the stated goal of the Bill is to encourage charitable giving and to establish provisions for simplifying tax rules for private foundations and other tax-exempt organizations without diminishing the charitable deduction. Some interesting provisions affecting private foundations are contained in this Bill.

#### Private Foundation Specific Provisions

The Bill calls for a modification in the tax rate for the excise tax on net investment income. Under the proposed language, the Internal Revenue Code of 1986 would be amended, thereby reducing the 2% rate to a 1% flat rate.

Additionally, the Bill calls for the elimination of the reduced tax rules that currently allow private foundations to reduce their tax rate from 2% to 1%, if certain distribution requirements are met. This provision would apply to taxable years beginning after the date of enactment.

#### Electronic Filing of Tax Forms

Another provision of the Bill is the requirement that all exempt organizations be required to file their yearly tax forms electronically and, further, that the Internal Revenue Service be required to make these forms available to the public in a machine readable format.

#### Other Provisions Related to Private Foundations

The Bill also proposes the following:

- Creation of a limited exception to the excess-business holdings rules for private foundations that own philanthropic businesses.
- Changes in the determination of the standard mileage rate for the charitable contributions deduction.
- Modifications in the substantiation requirements for charitable contributions.
- Modification of rules relating to donor advised funds.

#### Looking Ahead

Private foundations are looking forward to a reduction in the tax rate, if the Bill becomes law, as it will allow for more funds to be available for charitable giving. Also, because a large portion of exempt tax filers

paper-file, proponents of the Bill argue that mandating electronic filing would provide free access to a larger base of searchable tax forms not previously available to donors, regulators and the general public.

## Contact Us

Should you have any questions regarding the implications of this Bill or any of the items detailed in this bulletin, please contact the following experienced professionals in our Philanthropic and Private Foundation Services Practice:

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