

November 2017

Private Foundations Bulletin

The Tax Act: Potential Impact on Private Foundations and Exempt Organizations

By now you have probably read in the media about highlights of the recently-released **Tax Cuts and Jobs Act** (HR 1) as it generally affects individuals and businesses. Delving further into the Act, we have prepared this bulletin for our private foundation clients so they are aware of how private foundations and other exempt organizations may be affected if this bill, as written, becomes law.

It must be expressed upfront that none of this information is cast in concrete at this point in time. We think, however, our clients will be interested in what may be on the horizon for their organizations.

Impact on Private Foundations and Exempt Organizations

- Preservation of the charitable deduction and increase in the limitation for cash contributions to public charities to 60% of adjusted gross income (AGI) (up from 50%).
- Simplification of the private foundation excise tax to a flat rate of 1.4 %.
- Clarification of unrelated business income tax treatment of entities treated as exempt from taxation under 501(a).
- Introduction of an excise tax of 1.4% on the net investment income of private colleges and universities with at least 500 students in the preceding tax year and the aggregate fair market value of assets is at least \$100,000 per student at the end of the preceding tax year.
- Allows religious groups to make statements relating to political campaigns in the ordinary course of religious services
- Exception from private foundation excess business holding tax for independently-operated philanthropic business holdings, subject to certain rules (including 100% ownership requirement, not acquired by purchase, independent operation, and all profits to charity).
- Additional reporting requirements for donor advised funds (DAFs) to indicate the average amount of grants made during the taxable year (based on percentage of assets held in such funds) and disclosure of distribution policy in a DAF's annual tax return.
- 20% tax on excess tax-exempt organization executive compensation over \$1 million plus excess parachute payments.
- An art museum claiming the status of a private operating foundation would not be recognized as such unless it is open during normal business hours to the public for at least 1,000 hours during the tax year.

Stand By

In all likelihood there will be changes to the Act before it becomes law. We will keep you updated on any matter which may affect foundations and other exempt organizations.

Contact Us

We welcome the opportunity to speak with you about any questions you may have regarding this newsletter or any other subject related to accounting, audit, tax or advisory matters relative to private foundations. Please contact us:

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