

2017 Tax Reform Bill

Education Provisions Impacting Schools, Colleges, Universities and Employers

Topic	Bill Sections	IRC Sections	House Bill	Senate Bill
American Opportunity Tax Credit	House Bill Section 1201	Section 25A	<p>Combines the Hope and Lifetime Learning credits with the American Opportunity Tax Credit.</p> <p>Allows a 100% tax credit for up to \$2,000 of qualified tuition and related expenses paid by the taxpayer. Allows an additional 25% tax credit for expenses up to \$4,000. (The total allowable credit is \$2,500).</p> <p>The credit begins to phase out for taxpayers once their modified adjusted gross income reaches \$80,000.</p> <p>The credit is only allowed for 5 taxable years of postsecondary education. In the 5th year, the credit is only allowed up to 50% of the rate (50% of the first \$2,000 and 12.5% of the next \$2,000).</p> <p>In order to claim the credit, the student must provide a taxpayer identification number on their tax return.</p> <p>Applies to taxable years beginning after Dec. 31, 2017.</p>	Not addressed.

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<p>Education Savings Rules</p>	<p>House Bill Section 1202</p> <p>Senate Bill Section 11033</p>	<p>Section 530(b)(1)(A)</p> <p>Section 529(c)</p> <p>Section 529(e)</p> <p>Section 530(d)(5)</p>	<p>No new contributions can be made to Coverdell Education Savings Accounts after Dec. 31, 2017.</p> <p>Qualified Higher Education Expenses include expenses for tuition in connection with enrollment at an elementary or secondary school. The amount of contributions from all qualified tuition programs with respect to a beneficiary shall be limited to not more than \$10,000 in expenses for tuition incurred during the taxable year in connection with the enrollment of the beneficiary as an elementary or secondary school student at a public, private, or religious school.</p> <p>A Coverdell Education Savings Account may be rolled over into a section 529 qualified tuition program.</p> <p>Books, supplies, and equipment required for a registered apprenticeship program will also be treated as qualified higher education expenses.</p> <p>Applies to contributions made after Dec. 31, 2017.</p>	<p>Same, but no language that includes books, supplies, and equipment required for a registered apprenticeship program to be treated as qualified higher education expenses.</p> <p>The Senate bill also includes expenses for homeschool education.</p>
<p>Rollovers Between Qualified Tuition Programs and ABLE Programs</p>	<p>House Bill Section 1205</p> <p>Senate Bill Section 11025</p>	<p>Section 529</p>	<p>Distributions from qualified tuition programs may be rolled over to an ABLE account of the designated beneficiary or a member of the family of a designated beneficiary.</p> <p>Applies to distributions after Dec. 31, 2017.</p>	<p>Distributions from qualified tuition programs may be rolled over to ABLE accounts if the designated beneficiary or a member of the designated beneficiary's family owns the ABLE account.</p> <p>Applies to distributions made after the enactment of the Act and will sunset before Jan. 1, 2026.</p>

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<p>Discharge of Student Loan Indebtedness</p>	<p>House Bill Section 1203</p> <p>Senate Bill Section 11031</p>	<p>Section 108(f)</p>	<p>For an individual, gross income does not include any amount which would be includible in gross income by reasons of the discharge of student loans if such loans were discharged on account of the death or total and permanent disability of the student.</p> <p>The described loans include student loans or private education loans.</p> <p>The amendment applies to discharges of indebtedness that occur after Dec. 31, 2017.</p>	<p>Same.</p>
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<p>Repeal of Provisions Related to Education, Including Employer Provided Benefits</p>	<p>House Bill Section 1204</p>	<p>Section 221 Section 222 Section 135 Section 127 Section 117</p>	<p>Repeals section 221 that allows a deduction for interest paid on student loans.</p> <p>Repeals section 222 that allows a deduction for an amount equal to the qualified tuition and related expenses paid during that year.</p> <p>Repeals section 135 that allows for an exclusion from gross income of income from a US savings bond used to pay higher education tuition and fees.</p> <p>Repeals section 127 that allows for an exclusion from gross income of an employee for amounts paid or expenses incurred by the employer for educational assistance pursuant to an educational assistance program.</p> <p>Repeals section 117(d) that excludes a qualified tuition reduction from gross income.</p> <p>The repeal of the exclusion for qualified tuition reduction applies to amounts paid or incurred after Dec. 31, 2017.</p> <p>The other provisions apply to taxable years beginning after Dec. 31, 2017.</p>	<p>Not addressed.</p>
<p>College Athletic Event Seating Rights Deductions</p>	<p>House Bill Section 1306 Senate Bill Section 13703</p>	<p>Section 170(l)(1)</p>	<p>Disallows a deduction for any amount paid for college athletic event seating rights.</p> <p>Applies to contributions made in taxable years beginning after Dec. 31, 2017.</p>	<p>Same.</p>

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<p>Excise Tax on Investment Income of Private Colleges and Universities</p>	<p>House Bill Section 5103</p> <p>Senate Bill Section 13701</p>	<p>Chapter 42</p>	<p>Private colleges and universities will face a tax equal to 1.4% of the net investment income of such institution for the taxable year.</p> <p>The college or university must have at least 500 students during the preceding taxable year and the aggregate fair market value of the assets (other than those assets which are used directly in carrying out the institution's exempt purpose) must be at least \$250,000 per student.</p> <p>This means at least \$125 million in assets.</p> <p>The assets and net investment income of any related organization will be treated as the assets and net investment income of the eligible educational institution.</p> <p>Related organization is an organization which controls or is controlled by the institution, is controlled by 1 or more persons that control the institution, or is a supported organization.</p> <p>Applies to taxable years beginning after Dec. 31, 2017.</p>	<p>Same, but aggregate fair market value of the assets must be at least \$500,000 per student and exempts schools that do not participate in Federal financial aid programs;</p> <p>But, limits the inclusion of income from related organizations by providing that assets held and investment income earned by related organizations that are not controlled by the institution will only be considered net investment income of the institution if the assets and income are intended for and available for use by the institution.</p>
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Provisions Impacting Unrelated Business Income Tax

Topic	Bill Sections	IRC Sections	House Bill	Senate Bill
Unrelated Business Income Tax	House Bill Section 5001	Section 501	Organizations and trusts exempt from taxation not solely by reason of section 501(a) are also subject to unrelated business income tax. Applies to taxable years beginning after Dec. 31, 2017.	Not addressed.
Unrelated Business Taxable Income Separately Computed for Each Trade or Business Activity	Senate Bill Section 13702	Section 512(a)	Not addressed.	If an organization has more than 1 unrelated trade or business, unrelated business taxable income is computed separately with respect to each such trade or business. The amount of UBTI shall be the sum of the computed UBTI less the \$1,000 deduction allowed. Applies to taxable years beginning after Dec. 31, 2017.
Unrelated Business Income Tax – Research	House Bill Section 5002	Section 512(b)(9)	Only income derived from research that is made freely available to the general public is excluded from unrelated business taxable income. Applies to taxable years beginning after Dec. 31, 2017.	Not addressed.

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<p>Unrelated Business Taxable Income – Certain Fringe Benefits</p>	<p>House Bill Section 3308</p>	<p>Section 512(a)</p>	<p>Unrelated business taxable income will be increased by the amount for which a deduction is not allowed under section 274 (disallowance of certain entertainment expenses) and which is paid or incurred for any qualified transportation fringe, any parking facility used in connection with qualified parking, or any on-premises athletic facility.</p> <p>This is inapplicable to the extent the amount paid or incurred is directly connected with an unrelated trade or business.</p> <p>Applies to amounts paid or incurred after Dec. 31, 2017.</p>	<p>Not addressed.</p>
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Provisions Impacting All Tax-Exempt Organizations

Topic	Bill Sections	IRC Sections	House Bill	Senate Bill
<p>Increase in Standard Deduction for Individuals and Families</p>	<p>House Bill Sections 1002 and 1003</p> <p>Senate Bill Section 11021</p>	<p>Section 63</p> <p>Part V of subchapter B of chapter 1</p>	<p>The standard deduction is significantly increased (\$24,400 for a joint return), which could affect the number of taxpayers who itemize deductions.</p> <p>Repeals the personal exemption.</p> <p>Applies to taxable years beginning after Dec. 31, 2017.</p>	<p>The standard deduction is significantly increased, which could affect the number of taxpayers who itemize deductions.</p> <p>Applies to taxable years 2018 to 2025.</p>

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<p>Generation-Skipping Transfer Tax</p>	<p>House Bill Sections 1601 and 1602</p> <p>Senate Bill Section 11061</p>	<p>Section 2010(c)(3)</p>	<p>Increases the generation-skipping transfer tax exclusion from \$5,000,000 to \$10,000,000 (with inflation adjustments).</p> <p>Applies to decedents dying after Dec. 31, 2017.</p> <p>The generation-skipping transfer tax will be fully repealed in 2025.</p>	<p>Increases the generation-skipping transfer tax exclusion from \$5,000,000 to \$10,000,000 (with inflation adjustments).</p> <p>Applies to taxable years 2018 to 2025.</p> <p>Does not fully repeal the generation-skipping transfer tax at any time.</p>
<p>Increase in Estate and Gift Tax Exemption</p>	<p>House Bill Sections 1601 and 1602</p> <p>Senate Bill Section 11061</p>	<p>Section 2010(c)(3)</p>	<p>Increases the estate and gift tax exclusion from \$5,000,000 to \$10,000,000 (with inflation adjustments).</p> <p>Applies to decedents dying and gifts made after Dec. 31, 2017.</p> <p>The estate tax will be fully repealed in 2025 (but step-up in basis will be retained).</p> <p>For gifts made after 2024, the highest rate of gift tax will be lowered from 40% to 35%.</p>	<p>Increases the estate and gift tax exclusion from \$5,000,000 to \$10,000,000 (with inflation adjustments).</p> <p>Applies to estates of decedents dying and gifts made after Dec. 31, 2017 and before Jan. 1, 2026.</p> <p>Does not fully repeal the estate tax at any time.</p>

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<p>Charitable Contributions Deductions</p>	<p>House Bill Section 1306</p> <p>Senate Bill Section 11023</p>	<p>Section 170(b)(1)</p>	<p>In the case of any contribution of cash to a charitable organization, the total amount of contributions which may be deducted is increased from 50% to 60% of the taxpayer's adjusted gross income.</p> <p>If the amount donated exceeds the limit, such excess can be carried over for 5 succeeding years in order of time.</p> <p>Applies to contributions made in taxable years beginning after Dec. 31, 2017.</p>	<p>In the case of any contribution of cash to a charitable organization, the total amount which may be deducted between the taxable years 2018 and 2025 shall not exceed 60% of the taxpayer's contribution base.</p> <p>If the amount exceeds the limit, such excess can be carried over for 5 succeeding years in order of time.</p> <p>Applies to contributions made in taxable years beginning after Dec. 31, 2017.</p>
<p>Charitable Mileage Deductions</p>	<p>House Bill Section 1306</p>	<p>Section 170(i)</p>	<p>The charitable mileage rate for deductions will be changed from 14 cents per mile and replaced with "a rate which takes into account the variable cost of operating an automobile."</p> <p>Applies to contributions made in taxable years beginning after Dec. 31, 2017.</p>	<p>Not addressed.</p>
<p>Excise Tax on Private Foundation Investment Income</p>	<p>House Bill Section 5101</p>	<p>Section 4940(a)</p>	<p>There is a rate reduction on the excise tax of a private foundation's net investment income from 2% to 1.4%.</p> <p>Section 4940(e) which reduced tax from 2% to 1% where private foundations met certain distribution requirements is repealed.</p> <p>Applies to taxable years beginning after Dec. 31, 2017.</p>	<p>Not addressed.</p>

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<p>Art Museums as Private Operating Foundations</p>	<p>House Bill Section 5102</p>	<p>Section 4942(j)</p>	<p>An art museum will only qualify as an operating foundation if the museum is open during normal business hours to the public for at least 1,000 hours during the taxable year, which is about 20 hours per week for 52 weeks.</p> <p>Applies to taxable years beginning after Dec. 31, 2017.</p>	<p>Not addressed.</p>
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<p>Independently -Operated Philanthropic Business Holdings</p>	<p>House Bill Section 5104</p>	<p>Section 4943</p>	<p>The tax imposed on the excess business holdings of a private foundation will not be imposed if the holdings meet these requirements:</p> <p>(1) Ownership: 100% of the voting stock in the business enterprise is held by the private foundation at all times during the year and all the private foundation’s ownership interests were acquired by means other than by purchase.</p> <p>(2) All Profits to Charity: Not later than 120 days after the close of the year all profits from the business enterprise are distributed to the private foundation.</p> <p>(3) Independent Operation: At all times during the year, the business enterprise is operated independently: -No substantial contributor to the private foundation or family member of such contributor is a director, officer, trustee, manager, employee, or contractor of the business enterprise -At least a majority of the board of the private foundation are not directors/officers of the business enterprise or family members of substantial contributors to the private foundation -There is no loan outstanding from the business enterprise to a substantial contributor to the private foundation or to the family member of a substantial contributor</p> <p>This subsection does not apply to any fund or organization treated as a private foundation under subsection (e) (donor advised funds) or (f) (supporting organizations), trusts described in 4947(a)(1) (charitable trusts), or trusts described in 4947(a)(2) (split-interest trusts).</p> <p>Applies to taxable years beginning after Dec. 31, 2017.</p>	<p>Not addressed.</p>
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<p>Substantiation Exception in Case of Contributions Reported by Donee</p>	<p>House Bill Section 1306</p> <p>Senate Bill Section 13704</p>	<p>Section 170(f)(8)(D)</p>	<p>The exception that does not require substantiation for deductions of amounts over \$250 if the contribution was reported by the donee organization is repealed.</p> <p>Applies to contributions made in taxable years beginning after Dec. 31, 2017.</p>	<p>Same.</p>
<p>Political Activity of 501(c)(3) Organizations</p>	<p>House Bill Section 5201</p>	<p>Section 501</p>	<p>An organization will not fail to be treated as organized and operated exclusively for a purpose described in (c)(3) nor shall it be deemed to have participated in, or intervened in any political campaign on behalf or (or in opposition to) any candidate for public office, solely because of the content of any statement which:</p> <ul style="list-style-type: none"> -is made in the ordinary course of the organization's regular and customary activities in carrying out its exempt purpose, and -results in the organization incurring not more than de minimis incremental expenses <p>Applies to taxable years beginning after Dec. 31, 2018.</p> <p>This provision terminates on Dec. 31, 2023.</p>	<p>Not addressed.</p>

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<p>Donor Advised Fund Sponsoring Organizations</p>	<p>House Bill Section 5202</p>	<p>Section 6033(k)</p>	<p>When filing tax returns, donor advised funds must now indicate the average amount of grants made during the taxable year (expressed as a percentage of the value of assets held in such funds at the beginning of such taxable year) and indicate whether the organization has a policy with respect to donor advised funds for frequency and minimum level of distributions.</p> <p>Organizations should include a copy of any such policy for frequency and minimum level of distributions with its return.</p> <p>Applies to taxable years beginning after Dec. 31, 2017.</p>	<p>Not addressed.</p>
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<p>Excise Tax on Executive Compensation</p>	<p>House Bill Section 3802</p> <p>Senate Bill Section 13602</p>	<p>Chapter 42 Subchapter D</p> <p>Section 4960</p>	<p>Section 4960 is added to subchapter (D) to impose a 20% tax on the sum of (1) so much of the remuneration paid by an applicable tax-exempt organization for the taxable year with respect to employment of any covered employee in excess of \$1,000,000, plus (2) any excess parachute payment paid by such an organization to any covered employee.</p> <p>The employer is liable for the tax.</p> <p>An applicable tax-exempt organization means an exempt organization under Code Section 501(a), 521(b)(1), 115(1), or 527(e)(1).</p> <p>A covered employee is any employee who is one of the 5 highest compensated employees of the organization for the taxable year or was a covered employee for any preceding taxable year beginning after Dec. 31, 2016.</p> <p>Wages do not include any designated Roth contribution. Wages include remuneration paid by any related entity.</p> <p>Applies to tax years beginning after Dec. 31, 2017.</p>	<p>Same;</p> <p>and</p> <p>The Secretary will prescribe regulations to prevent avoidance of this tax by misclassifying employees as contractors or from being compensated through pass-through or other entities to avoid the tax.</p>
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<p>No Tax-Exempt Bonds for Professional Stadiums</p>	<p>House Bill Section 3604</p>	<p>Section 103(b)</p>	<p>Interest on tax-exempt bonds for financing or refinancing the construction of professional sports stadiums (used as a stadium or arena for professional sports exhibitions, games, or training at least 5 days during the year) will be included as gross income and taxable.</p> <p>Applies to bonds issued after Nov. 2, 2017.</p>	<p>Not addressed.</p>
<p>No Tax-Exemption for Private Activity Bonds</p>	<p>House Bill Section 3601</p>	<p>Section 103(b)</p>	<p>Interest on private activity bonds is no longer treated as tax-exempt.</p> <p>Private activity bonds are tax-exempt bonds permitted under current law to be issued to finance projects for section 501(c)(3) organizations like hospitals, senior living facilities, cultural institutions and private colleges and universities.</p> <p>Applies to bonds issued after Dec. 31, 2017.</p>	<p>Not addressed.</p>

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<p>Repeal of Advance Refunding Bonds</p>	<p>House Bill Section 3602</p> <p>Senate Bill Section 13532</p>	<p>Section 149(d)</p>	<p>Repeal of the federal exemption on the interest that bondholders currently receive on advance refunding bonds.</p> <p>An advance refunding bond is a bond that is issued more than 90 days prior to the redemption of the refunded bond.</p> <p>Under current law, tax-exempt bonds can be used to advance refund another bond as long as the issuer complies with certain advance refunding restrictions.</p> <p>Applies to advance refunding bonds issued after Dec. 31, 2017.</p>	<p>Same.</p>
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