

# TAX EXEMPTS AND TAX OVERHAUL: THE YEAR AHEAD

Philanthropic and educational institutions understand that tax law drives behavior. Their good works are closely intertwined with the tax code, and the recent tax overhaul has implications for the nonprofit sector.

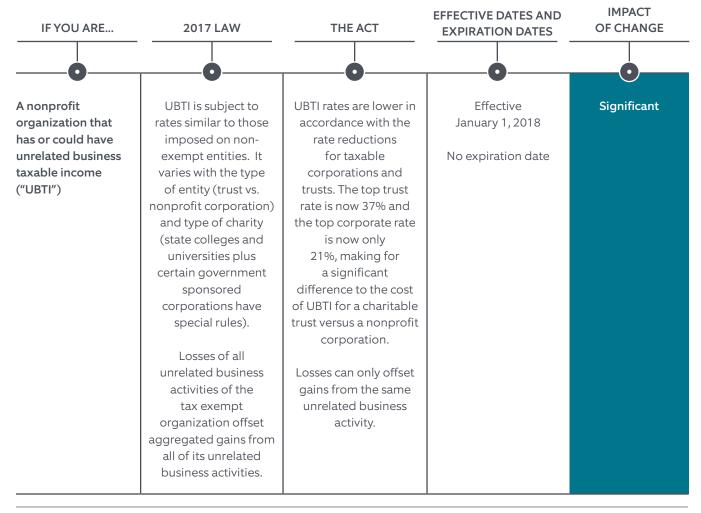
On December 22, 2017, the President signed the tax bill known informally as the Tax Cuts and Jobs Act (the "Act") into law. This piece summarizes the Act with an eye to preparing our foundation and institutional clients for the changes to come.

# **Foundation and Institutional Advisors** January 16, 2018

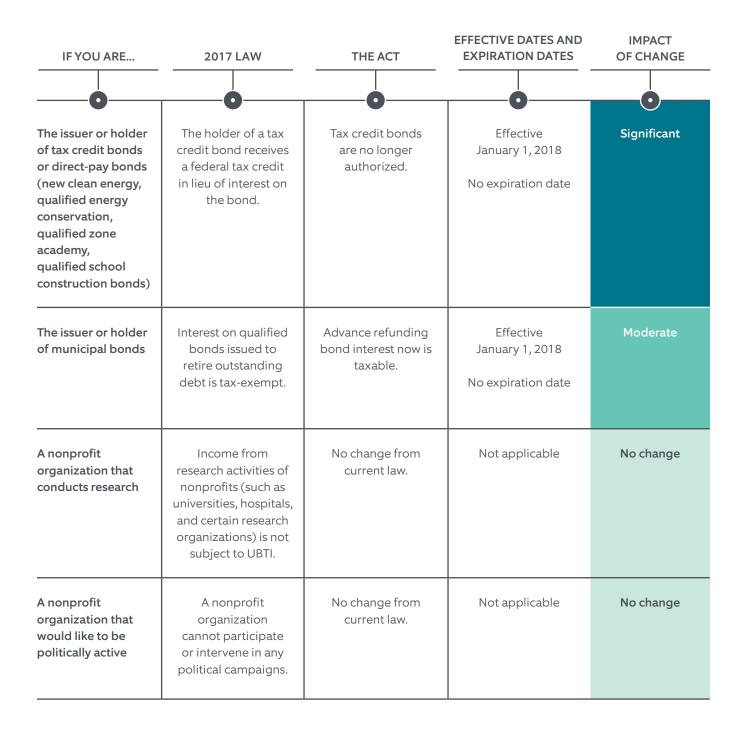
# SUZANNE SHIER

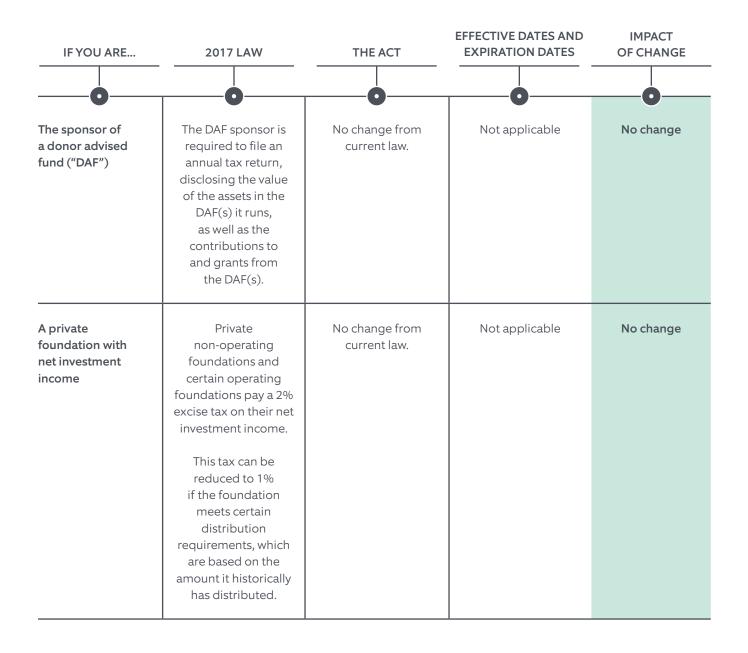
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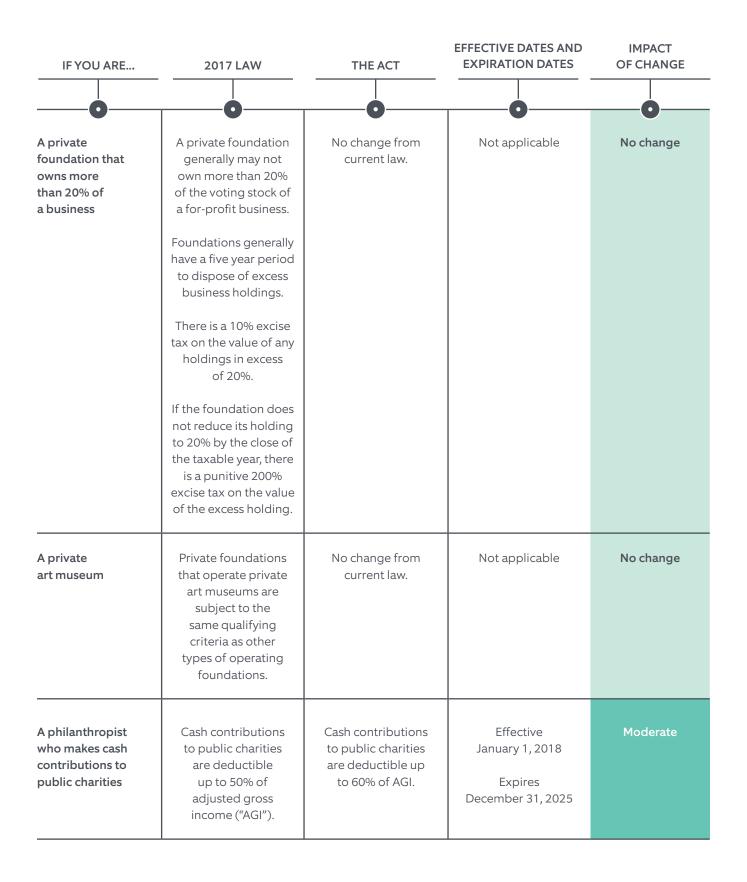
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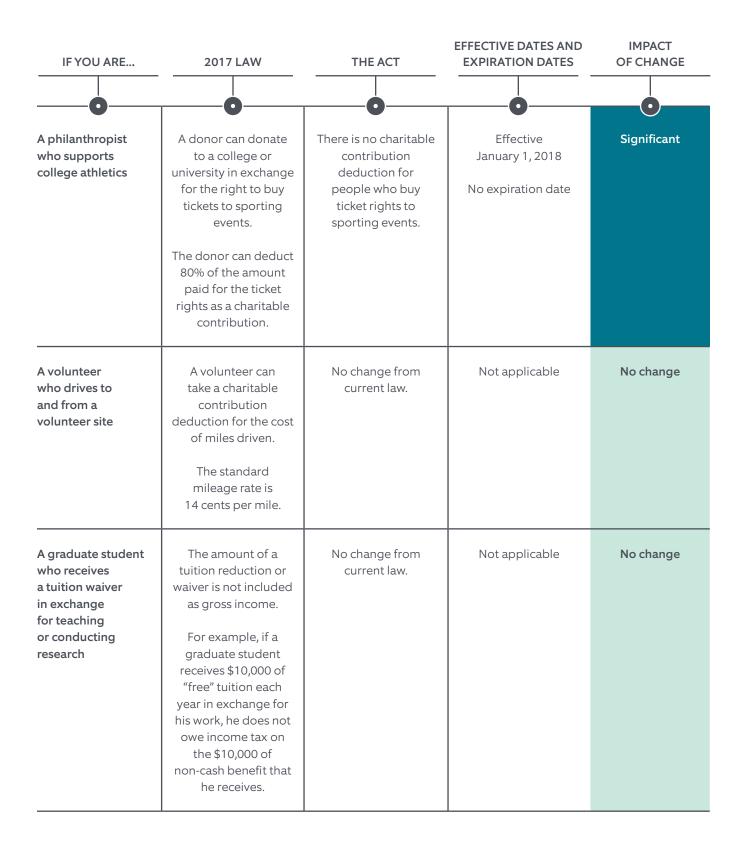


IF YOU ARE	2017 LAW	THE ACT	EFFECTIVE DATES AND EXPIRATION DATES	IMPACT OF CHANGE
A private college or university with a large endowment	Private university endowments do not pay an excise tax on net investment income.	Private colleges and universities with at least 500 tuition paying students, more than half of whom are in the U.S., must pay a 1.4% excise tax on net investment income if their endowment assets not used for charitable purposes reach or exceed \$500,000 per student at the end of the prior year.	Effective January 1, 2018 No expiration date	Significant
A nonprofit organization that provides transportation benefits (public transit passes, parking passes, etc.) or free gym access to its employees ("fringe benefits")	No tax consequences for fringe benefits; the nonprofit organization does not get a deduction or penalty.	The nonprofit organization's UBTI includes all or part of the value of the fringe benefits.	Effective January 1, 2018 No expiration date	Significant
A nonprofit organization or a state or local government with an employee who makes more than \$1 million per year	No special tax consequences for paying over \$1 million of compensation.	The nonprofit organization or state or local government owes a 21% excise tax on compensation over \$1 million, if the compensation is paid to any of its five highest paid employees.	Effective January 1, 2018 No expiration date	Significant









IF YOU ARE	2017 LAW	THE ACT	EFFECTIVE DATES AND EXPIRATION DATES	IMPACT OF CHANGE
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A school or university employee who is receiving free or reduced tuition benefits for himself or his family	An employee at an educational institution who receives reduced (non-graduate) tuition for himself or his family does not have to include the reduction in gross income. For example, if a university employee does not have to pay \$42,000 for his daughter to attend college, the \$42,000 waiver is not taxed to the employee.	No change from current law.	Not applicable	No change
An employee, and your employer is paying your tuition	An employee can receive up to \$5,250 each year tax-free from an employer's educational assistance program.	No change from current law.	Not applicable	No change
A parent or student paying student loan interest	\$2,500 of student loan interest is deductible each year, although taxpayers with more than \$80,000 of income (\$165,000 for married taxpayers) cannot take the deduction.	No change from current law.	Not applicable	No change

## CONCLUSION

Private foundations, educational institutions, public charities and philanthropists alike are grappling with the broader ramifications of the tax overhaul. Charitable giving, local government funding for K-12 education, and university attendance likely will be impacted by these changes in tax law. The charts above are only a high-level summary. There are many associated details and nuances. Readers are encouraged to consult with their legal and tax advisors regarding their particular circumstances.

We will continue to monitor developments affecting tax exempt organizations under the Act.

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### FOR MORE INFORMATION

To help meet your investment and advisory needs, Foundation and Institutional Advisors (FIA), is Northern Trust's national practice that exclusively serves foundations, endowments and other nonprofit institutional investors as either a dedicated investment advisor or as a fully outsourced chief investment officer. The practice is consultative and advice-driven, providing holistic solutions that combine sophisticated advisory expertise with a spectrum of value-added services.

To learn more about how we can put our experience, expertise and resources to work for your organization, contact Darius A. Gill, CFA, National Practice Executive, at 312-444-7153 or DAG9@ntrs.com. You may also visit northerntrust.com/FIA. We are ready to help you achieve your mission.

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