TAX REFORM AND HIGHER EDUCATION

What Students, Families, and Institutions Need to Know

Camp Tax Reform Act of 2014 – Tax Exempt Entities and Financing Provisions

Provision	Details	JCT Revenue Estimate (over 10 years)	Other Relevant Legislation & Proposals
Tax-Exempt Bond Financing			
Private activity bonds	[PRIVATE INSTITUTIONS, primarily] Eliminates private activity bonds. Organizations qualified under Section 501(c)(3) would no longer be eligible to borrow on a tax- exempt basis.	$23.9 billion	
Advance refunding bonds	Eliminates advance refunding bonds.	$8.3 billion	
Municipal bonds	Applies a de facto 10% surcharge on municipal bonds. The tax preference for earnings on municipal bonds would not be allowed against the 35% individual income bracket.		PBR would limit tax-exempt interest exclusion to 28%, proposes new direct-pay bonds.
UBIT, Excises Taxes & Penalties			
Name and logo royalties	Any sale or licensing by a tax- exempt organization if its names or logo would be treated as unrelated trade and royalties paid with respect to such licenses would be subject to UBIT.	$1.8 billion	
Separately computed UBIT	Tax-exempt organizations would be required to calculate separately the net unrelated taxable income of each unrelated trade or business.	$3.2 billion	
Qualified sponsorship payments	The UBIT exception for qualified sponsorship payments would be significantly scaled back.	<$50 million	

Intermediate sanctions and self-dealing	[**PRIVATE INSTITUTIONS ONLY**] Significantly alter intermediate sanctions and self-dealing provisions. It would eliminate rebuttable presumption of reasonableness for determining executive compensation. Also, it would treat investment advisors and athletic coaches as disqualified persons.	<$50 million	
Type II & III supporting organizations	Type II and Type III supporting organizations classifications would be repealed.	$1.4 billion	
Excise tax on executive compensation	A tax-exempt organization would be subject to a 25 percent excise tax on compensation in excess of $1 million paid to any of its five highest paid employees for the tax year.	$4.0 billion	
UBIT underpayment penalties	Creates a new 5-percent penalty applied to managers for any substantial understatement of UBIT.	<$50 million	
Modification of Tax Treatment of Certain Payments to Controlling Exempt Organizations. Also known as 512(b)13(E).	The discussion draft neither made permanent nor extended 512(b)13(E). This provision quantifies as UBIT only the portion of payments to the controlling exempt organization from interest, annuities, rents, and royalties from a controlled organization that exceed fair market value.	$36 million over ten years (2014-2024)	Made permanent by the PATH Act enacted on December 18, 2015.
Tax on research income	Income from research not made "publicly available" would be treated as unrelated trade or business income and subject to the UBIT rules.	$0.7 billion	
Other Tax Code Provisions			
R&D Tax Credit	Makes the credit permanent and modifies it so that the credit would equal: (1) 15% of the qualified research expenses for the tax year that exceed 50% of the average qualified research expenses for the 3 previous years (this makes permanent the Alternative Simplified Credit), or (2) 15% of the basic research payments for the tax year that exceed 50% of the average basic research payments for the 3 previous years.	-$34.1 billion	
Energy efficient commercial building deduction	(EXTENDER, Expired December 31, 2016) The discussion draft neither made permanent nor extended Section 179D. Section 179D permits a government building owner (for example, public institutions of higher education) to allocate the 179D deduction to one or more persons "primarily responsible for designing the property"; this can include architects, engineers, contractors, environmental consultants, or energy services providers.		

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