



Exempt Organizations should be mindful of changes effective January 1, 2018 from the Tax Cuts & Jobs Act:

Area of Consideration:	Tax Effect Due to the New Federal Tax Law - Effective January 1, 2018
Compensation of Employees in Excess of \$1 Million or Excess Parachute Payments	If an employee is compensated in excess of \$1,000,000, that excess is now subject to a 21% excise tax. In addition, if an employee receives excess parachute payments, that excess is also subject to a 21% excise tax.
Payment of Transportation Fringe Benefits of Employees	Payment of an employee's transportation benefits, up to \$260/month each for parking & transportations (\$520 if both provided) are now subject to Unrelated Business Income Tax ("UBIT"). Any excess is included in an employee's W-2 wages. This pertains even if taken out of an employee's pre-tax dollars. *Note - in 2019, this amount is indexed to increase to \$265; also, employers have until 3/31/19 to eliminate reserved employee parking spots.
Payment of On-Site Athletic Facilities for Employees	Amounts paid or incurred are now deemed UBI and subject to tax on Form 990-T
Gifts (cash, gift cards, meals & entertainment) & Achievement Awards given in recognition of an Employee's performance / Moving & Relocation Expenses Reimbursed	The value of these must now be treated as regular income which the employee must pay tax on similar to a cash bonus.
Income/Losses from Unrelated Business Activities	<ul style="list-style-type: none">• Subject to the new corporate rate of 21% which eliminated the 15% tax rate on the initial \$50,000 of taxable income.• Each activity's income & deductions must now be SEPARATELY reported and can no longer be aggregated• For now, the IRS has suggested using the North American Industry Classification System ("NAICS") codes to distinguish one trade or business from another.• Losses from one trade or business cannot offset the gains of a different type of activity that produces UBI• Losses can no longer be carried back, only carryforwards are allowed• Losses can only be used to offset up to 80% of the Organization's UBI in future years



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Private Colleges & Private Universities	Now subject to a 1.4% excise tax on their Net Investment Income (i.e. bonds, stocks, mutual funds, interest, dividends, capital gains, etc.)
Provides tickets or seats for college athletic events in exchange for charitable donations	Donors are no longer entitled to deduct payments made to a college or college athletic department in exchange for event tickets or seating rights at a stadium.
Schedule B - List of Contributors	For Exempt Organization's (except for 501(c)(3)'s and Section 527 Organization's which this change does not affect) the IRS no longer requires the name & address of recipients reported on an Organization's Schedule B; however, the Organization should still maintain proper records and documentation for support.