



August 13, 2018

## IRS Releases Draft of 2018 Form 990

HEALTH CARE, HIGHER EDUCATION, INTERNAL REVENUE SERVICE, NOT-FOR-PROFIT, TAX  
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On July 18, 2018, the Internal Revenue Service (IRS) released a draft of the **2018 Form 990**. With the passing of The Tax Cuts and Jobs Act (The Act), two questions have been added to the draft 2018 Form 990 in regards to the newly imposed excise tax on compensation greater than one million dollars and excise tax on educational institution's net investment income:

Part V, Question 15: Is the organization subject to the Section 4960 tax on payment(s) of more than \$1,000,000 in remuneration or excess parachute payment(s) during the year? If "Yes," see instructions and file Form 4720, Schedule N.

Part V, Question 16: Is the organization an educational institution subject to the Section 4968 excise tax on net investment income?

If "Yes," complete Form 4720, Schedule O.

If an exempt organization or related person or governmental entity pays more than one million dollars to any covered employee, the organization is required to pay a flat 21% tax on the excess amount above one million dollars for the top five highest paid employees. Excluded from this excise tax are payments to medical professionals to the extent the payment is for performance of medical or veterinary services. Medical professionals include doctors, nurses and veterinarians.

The Act also imposes a 1.4% excise tax on the net investment income of education institutions that meet the following requirements:

1. The institution had at least 500 students in the preceding year;
2. More than 50% of the students are located in the United States;
3. The institution is not a state college or university; and
4. The aggregate fair market value of the assets at the end of the preceding taxable year (other than those used in carrying out the institution's exempt purpose) is at least \$500,000 per student.

When determining if an institution meets the asset-per-student standard, assets and net investment income of related organizations are included. An organization is treated as related to the institution for this purpose if the organization: (1) controls, or is controlled by, the institution; (2) is controlled by one or more persons who control the institution; or (3) is a supported organization or a supporting organization during the taxable year with respect to the institution.

If an exempt organization answers yes to either Question 15 or 16 in Part V, it must complete Schedule N or O that will be included in Form 4720. If the above excise

tax applies to your organization, the IRS has not released a draft version of Form 4720. The draft 2018 Form 990-T has not been released at this time. The Form 990-T will include both excise taxes above.

Visit the IRS [website](#) to stay current on the 2018 draft forms released by the service.

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