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IRS Releases 2018 Draft of Excise Tax Form 4720; Includes Schedules for Exempt Organizations

INTERNAL REVENUE SERVICE, TAX, TAX REFORM
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Two new excise taxes added by the recently enacted Tax Cuts and Jobs Act may apply to exempt organizations, for tax years beginning after December 31, 2017:

1. **A 21% excise tax on executive compensation, applicable to the top five "covered" employees who are paid more than \$1 million.** The excess amount greater than \$1 million is the taxable portion. A covered employee is a current or former employee who is or was one of the five highest-compensated in a tax-exempt organization for the taxable year, or was a covered employee of the organization (or its predecessor) for any preceding taxable year beginning after December 31, 2016. The tax does not include compensation paid to licensed medical professionals (doctors and nurses) and veterinarians.
2. **A 1.4% excise tax on the net investment income of private colleges and universities that meet all the following criteria:**
 - The institution had at least 500 students in the preceding taxable year;
 - More than 50% of the students are located in the United States;
 - The institution is not a state college or university; and
 - 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.

Form 4720 will be used to report both excise taxes; Schedule N for the tax on executive compensation, Schedule O for the tax on net investment income.

Note that Form 4720 is a separate return from the Form 990, but carries the same due date. A separate extension would need to be completed for Form 4720, however; use Form 8868, *Application for Automatic Extension of Time to File an Exempt Organization Return*, and enter code 09, Form 4720 (other than individual).

The IRS released the 2018 draft of [Form 4720](#) on July 18. To stay current with the latest draft forms or the release of final forms, visit the IRS [website](#).

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