

Excise tax based on investment income of private colleges and universities.

Current law: Under current law, private foundations and certain charitable trusts are subject to an excise tax of up to 2 percent on their net investment income. (Section 5101 would reduce this excise tax to 1.4 percent.) The excise tax on net investment income does not apply to public charities, including colleges and universities, even though some such organizations may have substantial investment income similar to private foundations.

Provision: Under the provision, certain private colleges and universities would be subject to a 1.4 percent excise tax on net investment income. The provision would only apply to private colleges and universities that have at least 500 students and assets (other than those used directly in carrying out the institution's educational purposes) valued at the close of the preceding tax year of at least \$100,000 per full-time student. State colleges and universities would not be subject to the provision. The provision would be effective for tax years beginning after 2017.

JCT estimate: According to JCT, the provision would increase revenues by \$3.0 billion over 2018-2027.