

**SUMMARY OF SELECT PROVISIONS
IN THE CONFERENCE AGREEMENT ON THE
“TAX CUTS AND JOBS ACT”**

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The following table provides a high-level summary of select provisions in the Conference Agreement on the “Tax Cuts and Jobs Act” as released on Friday December 15, 2017, including certain provisions relating to tax-exempt bond financing, contributions for charitable deductions, health-care related provisions, provisions relating to tax-exempt organizations, and education related provisions. The House and Senate are scheduled to take up the Conference Agreement the week of December 18. This document is intended as a high level overview of certain provisions and does not contain all details of the provisions listed here or other provisions in the Conference Agreement. The Conference Agreement, including statutory text and an explanation, may be found at <http://docs.house.gov/billsthisweek/20171218/CRPT-115HRPT-466.pdf>

ITEM	CURRENT LAW	CONFERENCE AGREEMENT
1. Tax-Exempt Bond Financing	<p>Interest on qualified private activity bonds, including for 501(c)(3) hospital bonds, is excludable from gross income.</p> <p>Current law also provides an exclusion from gross income for advance refunding bonds.</p>	<p>Retains the current-law exclusion for interest on qualified private activity bonds.</p> <p>Repeals the provisions for advance refunding bonds, effective for bonds issued after Dec. 31, 2017. § 13532</p>
2. Itemized Deduction for Charitable Contributions	<p>Individuals who itemize deductions may deduct contributions to charitable organizations, subject to certain limitations. The limit on deductible cash contributions is 50% of adjusted gross income (AGI).</p>	<p>Retains the itemized deduction for charitable contributions and increases the maximum permitted charitable deduction for cash contributions from 50% of AGI to 60% of AGI.</p> <p>The provision increasing the AGI threshold is effective for years beginning after Dec. 31, 2017, and expires at the end of 2025 (as do other individual tax provisions in the bill). § 11023</p> <p>Although the deduction is retained and enhanced, because of other changes in the bill, including the doubling of the standard deduction, fewer taxpayers are expected to itemize deductions.</p>

ITEM	CURRENT LAW	CONFERENCE AGREEMENT
3. Health Care Related Provisions		
a. Repeal of ACA individual mandate	A penalty tax is imposed on individuals who do not have qualifying health care coverage (“minimum essential coverage”).	The ACA individual mandate is effectively repealed (by reducing the tax penalty to \$0), starting in 2019. § 11081
b. Itemized Deduction for Medical Expenses	Individuals who itemize deductions may deduct medical expenses to the extent the expenses exceed 10% of adjusted gross income (AGI).	Retains the deduction and reduces the threshold to 7.5% AGI for 2017 and 2018, reverting to 10% of AGI for 2019 and later. § 11027
c. Orphan drug research credit	A 50% tax credit is provided for qualified clinical testing expenses for drugs that treat rare diseases or conditions.	Keeps the credit at a reduced rate of 25% of qualified clinical testing expenses, effective for taxable years beginning after 2017. § 13401
4. Provisions Applicable to Tax-Exempt Organizations		
a. Excise tax on excess executive compensation	No provision.	<p>Imposes a tax on tax-exempt organizations equal to the corporate tax rate (which is 21% under the Conference Agreement) on the sum of (a) compensation in excess of \$1 million per year paid to the top-five highest paid employees of the organization, plus (b) excess parachute payments for the same employees. Certain types of compensation are excluded from the \$1 million limitation. Effective for taxable years beginning after Dec. 31, 2017. § 13602.</p> <p>The provision is based on the Senate-passed bill, with some modifications. No transition rule is provided for compensation paid pursuant to existing contracts.</p>

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b. Excise tax on private colleges and universities	No provision.	Imposes a 1.4% tax on the net investment income of private colleges and universities, effective for taxable years beginning after Dec. 31, 2017. The provision is based on the bill passed by the Senate, with some modifications. In general, the provision in the Conference Agreement applies to private colleges and universities if the institution had at least 500 tuition paying students in the prior year, more than 50% of the tuition paying students are located in the United States, and if the assets of the institution are at least \$500,000 per student. § 13701
c. General provisions relating to unrelated business taxable income (UBTI)	Present law imposes a tax on unrelated business taxable income on tax-exempt organizations.	UBTI is computed separately for each trade or business, effective for taxable years beginning after Dec. 31, 2017. § 13702.
d. Political campaign speech (“Johnson Amendment”)	Current law restricts organizations exempt from tax under Code sec. 501(c)(3) from engaging in political speech without losing tax exempt status.	No provision. (Retains current law and does not include the provision in the House bill that would have allowed political speech.)
e. Reporting requirements for donor advised funds	Current law imposes reporting requirements on tax-exempt organizations on IRS Form 990.	No provision. (The House bill would have increased reporting requirements on donor advised funds.)
5. Education Provisions	<p>Present law provides a number of tax incentives for education, including:</p> <ul style="list-style-type: none"> • The deduction for interest on education loans and the deduction for qualified tuition and related expenses; • The exclusion for qualified tuition reduction programs (which impacts graduate teaching or research assistants who receive tuition waivers); and • The exclusion for employer-provided education assistance. 	Retains these tax provisions, which would have been repealed under the House bill. Provides that the discharge of student loan indebtedness due to death or disability is not taxable income, effective for discharges after 2017 and before 2026. § 11031.