Final Bill – H.R. 1 Tax Cuts and Jobs Act
Impact on Higher Education & Individuals

Tax changes are in effect for tax years 2018-2025 unless specified otherwise:

**Notable Impacts on Higher Education Institutions:**

- Tax exempt organizations (not the employee) are subject to a 21% excise tax on taxable compensation paid over $1,000,000 to its five highest paid employees. However, the excise tax does not apply to remuneration paid in excess of $1,000,000 to employees who are compensated for professional services provided as licensed physicians or medical professionals. The remuneration is only exempted from the additional excise tax if the employee was acting in the capacity of a medical professional or licensed physician and not as an administrator.
- Unrelated Business Taxable Income can no longer be offset from losses from separate, unrelated business activities. An institution cannot aggregate all of its business income and losses but rather it may only offset its unrelated business income with a loss from the same business activity.
- 1.4% excise tax on the net investment income of endowments held by private colleges with at least 500 students when the fair market value of the endowment is equal to at least $500,000 per full time student.
- No deduction is allowed for employer provided qualified mass transit and parking fringe benefits. These benefits, if provided to employees, gets included in Unrelated Business Income.
- No deduction is allowed for employer provided on-premises gym facilities. The fringe benefit is still excludible from an employee’s income, however, the costs are included as unrelated business income.
- No 50% deduction for employer provided meals to employees even if de minimis. The benefit is not includible in an employee’s income and amount must be added to UBIT. This provision is not in effect until tax year 2026.

**Notable Impacts on Individuals/Employees:**

- 7 marginal individual income tax brackets – 10%, 12%, 22%, 24%, 32%, 35% and 37%
- The standard deduction increased to $24,000 for joint filers and $12,000 for single filers.
- Personal exemption deductions were eliminated.
- $2,000 child tax credit available for each qualifying child, adjusted gross income limitation for credit increased to $400,000 for joint filers, $200,000 for all others. $1400 of credit is refundable.
- For 2017 & 2018 - Medical deductions are allowed to the extent that they exceed 7.5% of AGI (instead of 10% of AGI)
- Students would be discharged from education related debt upon their death or disability
- Distributions up to $10,000 from 529 plans can be used for elementary or secondary public, private or religious schools.
• Maximum $10,000 deduction for state and local income and property taxes. Same $10,000 limit for both single and married filers. Cannot prepay your 2018 state liability and take the deduction in 2017. Would have had to pick up the refund income anyway unless in AMT in prior year.
• No interest deduction on home equity indebtedness. Interest is still deductible on home acquisition indebtedness but only on aggregated debt balances of $750,000 or less.
• Disallowance of any miscellaneous itemized deductions
• No overall limitation on allowable itemized deductions based on adjusted gross income. Used to be that if your AGI exceeds certain thresholds, your total itemized deductions were limited.
• Moving expense reimbursements are no longer a tax exempt, excludible fringe benefit except for members of the military. The benefit is now taxable and cannot be deducted as an above the line deduction by the employee.
• Elimination of the individual health insurance coverage mandate
• Alternative Minimum Tax (AMT) income exemption and the phase-out amounts were increased. AMT income exemption amount increased to $109,400 for joint filers and the phase-out starts when alternative minimum taxable income reaches $1,000,000 for joint filers. Half these amounts are in effect for single filers.
• The Estate tax will not apply unless the estate is worth more than $11.2 million. The 2018 exemption amount of $5.6 million (which is stated in terms of a $2,185,800 unified tax credit, the tax impact on an estate worth 5.6 mil) amount was doubled. [note: transfers to charities reduces the taxable estate value. With the higher exemption amount, taxpayers may be less inclined to leave assets to charities since there is less need to reduce estate value to avoid taxation.]
• Charitable donations are no longer deductible if the donor receives athletic seating rights in exchange for the donation.
• Cash donations to qualified charitable organizations are deductible up to 60% of the donor’s adjusted gross income instead of 50%