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## **A Lesson Plan in Linguistics and Statistics for Well-Endowed Private Universities.**

Contrary to its name, The Tax Cuts and Jobs Act resulted in a tax increase for certain entities. For example, certain well-endowed private universities and colleges are now subject to a 1.4% excise tax on their net investment income. This tax increase is set forth in Section 4968 of the Internal Revenue Code, and it generally applies to private universities that at the end of their prior taxable year (a) had at least 500 full-time, tuition paying students, and (b) whose endowment (i.e., assets not used for the university's exempt purposes) had a fair market value that equaled at least \$500,000 per student of the university. In addition, Section 4968 only applies if more than 50% of the tuition-paying students at the private university are located in the United States. Since Section 4968 is a brand-new statute, private universities had many unanswered questions regarding which universities are subject to the new excise tax and how to calculate it. Accordingly, the Treasury Department recently released [proposed regulations](#) that provide some guidance on these matters.

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By Cynthia Mog on July 25, 2019

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