American Alliance of Museums

Comparison of House and Senate Tax Reform Proposals with Final Conference Report –12/18/2017

| 2017 Law | House Bill | Senate Bill | Conference Report |
|---|---|---|---|
| **Individual Charitable Donations** | | | |
| The **standard deduction** is $6,350 for single filers and $12,700 for married couples filing jointly. | The standard deduction is nearly doubled - $12,200 for single filers and $24,400 for couples filing jointly. | The standard deduction is nearly doubled - $12,000 for single filers and $24,000 for couples filing jointly. | **The standard deduction is nearly doubled -** $12,000 for single filers and $24,000 for couples filing jointly. |
| Taxpayers who do not claim the standard deduction can instead claim a number of itemized deductions, including for **charitable donations.** | The charitable deduction is maintained. However, many fewer taxpayers will itemize due to the increased standard deduction and the elimination of many other deductions. A recent study found that a similar proposal would reduce giving by $13 billion per year. | The charitable deduction is maintained. However, many fewer taxpayers will itemize due to the increased standard deduction and the elimination of many other deductions. A recent study found that a similar proposal would reduce giving by $13 billion per year. | The charitable deduction is maintained. However, many fewer taxpayers will itemize due to the increased standard deduction and the elimination of many other deductions. A recent study found that a similar proposal **would reduce giving by $13 billion per year.** |
| When making a charitable donation of cash to a public charity (like most museums), taxpayers can generally deduct a **maximum of 50 percent of adjusted gross income** (AGI). | The limit on deducting cash contributions to a public charity increases to 60 percent of AGI. | The limit on deducting cash contributions to a public charity increases to 60 percent of AGI. | The limit on deducting cash contributions to a public charity **increases to 60 percent of AGI**. |
| Property is subject to the **estate tax** before it can be passed on to heirs. The first $5.5 million in value ($11 million for couples) is exempt from tax. | Exemptions from the estate tax are immediately doubled to approximately $11 million and $22 million respectively. The tax is eliminated entirely after 2024. | Exemptions from the estate tax are immediately doubled to approximately $11 million and $22 million respectively. | **Exemptions from the estate tax are immediately doubled** to approximately $11 million and $22 million respectively. |
| Itemized deductions for high-income taxpayers are subject to an additional overall limitation, often referred to as the **Pease Limitation.** In 2017, it impacts individuals earning over $261,500 and joint filers earning over $313,800. | The Pease Limitation is repealed. | The Pease Limitation is repealed. | **The Pease Limitation is repealed.** |

Comparison of House and Senate Tax Reform Proposals with Final Conference Report –12/18/2017

| 2017 Law | House Bill | Senate Bill | Conference Report |
|---|---|---|---|
| **Nonprofit Organizations** | | | |
| Tax-exempt 501(c)(3) organizations are prohibited from intervening in a campaign for any candidate for public office. This protection of nonprofit nonpartisanship—often referred to as the **Johnson Amendment**—was adopted in 1954 with bipartisan support. | The Johnson Amendment is weakened significantly, allowing nonprofit organizations to intervene in political campaigns so long as it is done in the course of the organization's customary activities and does not increase expenses significantly. | No changes to current law. | **No changes to current law.** |
| Private foundations must pay out a minimum percent of their assets each year or face an excise tax penalty. Private operating foundations do not face this minimum requirement, instead carrying out their own charitable purpose. **Some museums are private operating foundations.** | A private operating foundation that meets its charitable purpose by operating an art museum must be open to the public for 1000 hours per year in order to avoid the excise tax penalty. | No changes to current law. | **No changes to current law.** |
| **College and university endowment income** is not taxed. Private foundations are subject to an excise tax on net investment income. | Net investment income for private colleges and universities with endowments larger than $250,000 per enrolled student is subjected to a 1.4% tax. | Net investment income for private colleges and universities with endowments larger than $500,000 per enrolled student is subjected to a 1.4% tax. | Net investment income for private colleges and universities with **endowments larger than $500,000 per enrolled student is subjected to a 1.4% tax.** |
| Corporations cannot claim a tax deduction for executive compensation above $1 million for any of their 5 highest paid employees. No parallel limitation applies to **nonprofit executive compensation**. | Executive compensation above $1 million for any of a nonprofit's 5 highest paid employees is subject to a new 20 percent excise tax, equal to the corporate tax rate. | Executive compensation above $1 million for any of a nonprofit's 5 highest paid employees is subject to a new 20 percent excise tax, equal to the corporate tax rate. | **Executive compensation above $1 million for any of a nonprofit's 5 highest paid employees** is subject to a new 21 percent excise tax, equal to the corporate tax rate. |
| The **unrelated business income tax** (UBIT) generally applies to income that is not substantially related to an organization's tax-exempt function. Dividends, interest, and royalties are generally exempt from UBIT. | Nonprofit organizations' payments for employee transportation fringe benefits and on-site athletic facilities are newly subject to UBIT. | Losses from one unrelated business can no longer be used to offset profits from another unrelated business operated by the same organization. | Both the House provision on **employee fringe benefits** and the Senate provision on **operation of multiple unrelated businesses** are included. |

| 2017 Law | House Bill | Senate Bill | Conference Report |
| --- | --- | --- | --- |
| **Other Individual and Business Provisions** | | | |
| Interest on both governmental bonds and **private activity bonds** (PABs) is exempt from tax. The exclusion of PAB interest allows nonprofits to finance capital projects at lower interest rates. | Interest on private activity bonds issued after 2017 is taxable, raising borrowing costs for affected nonprofits. | No changes to current law. | **No changes to current law.** |
| Taxpayers can claim a **historic tax credit** for the expense of rehabilitating historic structures. There is a 20 percent credit for certified historic structures and a 10 percent credit for other pre-1936 buildings. | The historic tax credit is repealed, with transition rules for ongoing projects. | The historic tax credit for certified historic structures remains at 20 percent, but is now earned over a 5-year period. The credit for other pre-1936 buildings is repealed. | **The historic tax credit for certified historic structures remains at 20 percent**, but is now earned over a 5-year period. The credit for other pre-1936 buildings is repealed. |