



Spencer Walters Quoted on 4960 Excise Tax in The Chronicle of Philanthropy

ATTORNEYS

Spencer F. Walters

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IPB partner Spencer Walters spoke with the *Chronicle of Philanthropy* for an article in its April issue, "New Tax Could Hit Many Nonprofits Paying \$1 Million-Plus Employees."

The article notes that, "nonprofits are struggling to figure out how the tax law applies to them, said Spencer Walters, a nonprofit tax lawyer. The latest guidance from the Internal Revenue Service was issued last December.

In particular, Walters is concerned that the law appears to apply the tax to nonprofits with employees who draw large salaries from outside sources related to the organization.

'If I start a company you know, a successful company that takes over the world I pay myself a salary as its CEO,' said Walters. 'Then I decide to start a foundation. I don't pay myself any money from the foundation, but I keep receiving the pay from my company. The way the IRS has written the rules, the tax would apply to my pay.'

Walters said he fears the rules could have a chilling effect on the creation of new charitable foundations. He doesn't oppose the idea of trying to discourage tax-advantaged nonprofits from paying huge salaries, but, he added, 'the disconnect is that in implementing it here, the IRS rules apply the tax even when some other entity is paying the amount, even when that other entity is taxable.'