



TCJA Alert: Unexpected Effect of Section 4960 Excise Tax

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New Code 4960 imposes a 21% tax on excess compensation (over \$1,000,000) paid to the current and former top-5 paid employees of tax-exempt organizations. Under initial IRS guidance, however, the additional tax could ensnare corporations (public and private) and plan sponsors. Because the tax is apportioned among entities related to a tax-exempt entity, taxable companies may be subject to unexpected additional tax if they have: Private Foundations, Voluntary Employee Benefit Associations (VEBAs), Political Action Committees (PACs), or Pension Trusts.

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