

**(b) Exception**

No tax shall be imposed under this section with respect to any distribution if a tax has been imposed with respect to such distribution under section 4958.

**(c) Special rules**

For purposes of subsection (a)—

**(1) Joint and several liability**

If more than one person is liable under paragraph (1) or (2) of subsection (a) with respect to a distribution described in subsection (a), all such persons shall be jointly and severally liable under such paragraph with respect to such distribution.

**(2) Limit for management**

With respect to any one distribution described in subsection (a), the maximum amount of the tax imposed by subsection (a)(2) shall not exceed \$10,000.

**(d) Person described**

A person is described in this subsection if such person is described in section 4958(f)(7) with respect to a donor advised fund.

(Added Pub. L. 109-280, title XII, §1231(a), Aug. 17, 2006, 120 Stat. 1097.)

## EFFECTIVE DATE

Section applicable to taxable years beginning after Aug. 17, 2006, see section 1231(c) of Pub. L. 109-280, set out as an Effective Date of 2006 Amendment note under section 4963 of this title.

**Subchapter H—Excise Tax Based on Investment Income of Private Colleges and Universities**

Sec. 4968. Excise tax based on investment income of private colleges and universities.

**§ 4968. Excise tax based on investment income of private colleges and universities****(a) Tax imposed**

There is hereby imposed on each applicable educational institution for the taxable year a tax equal to 1.4 percent of the net investment income of such institution for the taxable year.

**(b) Applicable educational institution**

For purposes of this subchapter—

**(1) In general**

The term “applicable educational institution” means an eligible educational institution (as defined in section 25A(f)(2))—

(A) which had at least 500 tuition-paying students during the preceding taxable year,

(B) more than 50 percent of the tuition-paying students of which are located in the United States,

(C) which is not described in the first sentence of section 511(a)(2)(B) (relating to State colleges and universities), and

(D) the aggregate fair market value of the assets of which at the end of the preceding taxable year (other than those assets which are used directly in carrying out the institution’s exempt purpose) is at least \$500,000 per student of the institution.

**(2) Students**

For purposes of paragraph (1), the number of students of an institution (including for purposes of determining the number of students at a particular location) shall be based on the daily average number of full-time students attending such institution (with part-time students taken into account on a full-time student equivalent basis).

**(c) Net investment income**

For purposes of this section, net investment income shall be determined under rules similar to the rules of section 4940(c).

**(d) Assets and net investment income of related organizations****(1) In general**

For purposes of subsections (b)(1)(C) and (c), assets and net investment income of any related organization with respect to an educational institution shall be treated as assets and net investment income, respectively, of the educational institution, except that—

(A) no such amount shall be taken into account with respect to more than 1 educational institution, and

(B) unless such organization is controlled by such institution or is described in section 509(a)(3) with respect to such institution for the taxable year, assets and net investment income which are not intended or available for the use or benefit of the educational institution shall not be taken into account.

**(2) Related organization**

For purposes of this subsection, the term “related organization” means, with respect to an educational institution, any organization which—

(A) controls, or is controlled by, such institution,

(B) is controlled by 1 or more persons which also control such institution, or

(C) is a supported organization (as defined in section 509(f)(3)), or an organization described in section 509(a)(3), during the taxable year with respect to such institution.

(Added Pub. L. 115-97, title I, §13701(a), Dec. 22, 2017, 131 Stat. 2167; amended Pub. L. 115-123, div. D, title II, §41109(a), Feb. 9, 2018, 132 Stat. 159.)

## AMENDMENTS

2018—Subsec. (b)(1)(A). Pub. L. 115-123, §41109(a)(1), inserted “tuition-paying” after “500”.

Subsec. (b)(1)(B). Pub. L. 115-123, §41109(a)(2), inserted “tuition-paying” after “50 percent of the”.

## EFFECTIVE DATE OF 2018 AMENDMENT

Pub. L. 115-123, div. D, title II, §41109(b), Feb. 9, 2018, 132 Stat. 159, provided that: “The amendments made by this section [amending this section] shall apply to taxable years beginning after December 31, 2017.”

## EFFECTIVE DATE

Pub. L. 115-97, title I, §13701(c), Dec. 22, 2017, 131 Stat. 2168, provided that: “The amendments made by this section [enacting this section] shall apply to taxable years beginning after December 31, 2017.”

**CHAPTER 43—QUALIFIED PENSION, ETC., PLANS**

Sec. 4971. Taxes on failure to meet minimum funding standards.