

TaxNewsFlash

United States



No. 2020-159
March 26, 2020

Regulations pending OIRA review: Excise tax on tax-exempt organization compensation

OMB's Office of Information and Regulatory Affairs (OIRA) reported that on March 24, 2020, it received for review from the U.S. Treasury Department proposed regulations concerning an excise tax imposed under section 4960 on the amount of remuneration in excess of \$1 million and on any excess parachute payment paid by an applicable tax-exempt organization to a covered employee.

The 2017 tax law (Pub. L. No. 115-97)—the law that is often referred to as the “Tax Cuts and Jobs Act” (TCJA)—added new section 4960 to the Code to provide that excess remuneration and excess parachute payments paid by an applicable tax-exempt organization to a covered employee are subject to the excise tax.

Treasury regulations that are identified as “major” regulations are subject to review by OMB’s OIRA before being issued, pursuant to Executive Order 13771. The proposed regulations, according to OIRA, are identified as:

- [**RIN: 1545-BO99: Section 4960 excise tax on tax-exempt organization compensation**](#)

These regulations are further described on the OIRA website as follows:

These regulations implement the new IRC section 4960. They are necessary to provide clarity to taxpayers regarding the meaning of certain terms in the statute and to prevent abusive means of avoiding the tax.

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their

respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)