

**TAX CHANGES TO EXEMPT ORGANIZATIONS**

<b>Topic</b>	<b>Pre-Tax Act</b>	<b>2017 Tax Act</b>
Unrelated Business Taxable Income	An exempt organization carrying on multiple unrelated trades or businesses calculates its unrelated business taxable income based on all lines of business, allowing the exempt organization to use deductions from a trade or business to offset unrelated trade or business income earned by another trade or business.	As of 2018, losses from an unrelated trade or business may not be used to offset income derived from another unrelated trade or business. Gains and losses have to be calculated and applied separately.
Excise Tax on Tax Exempt Organization Executive Compensation	There are reasonableness requirements and a prohibition against private inurement with respect to executive compensation for tax-exempt entities, but no excise tax based on the amount of compensation paid.	<p>Beginning in 2018, there is an excise tax of 21% (equal to the corporate tax rate) on compensation that exceeds \$1 million that is paid to an applicable tax-exempt organization's 5 highest paid employees or any person who was such an employee in any tax year after 2016. This excise tax also applies to parachute payments that exceed a threshold formula based on the average annual compensation of the employee for the 5 tax years before previous to the employee leaving the exempt organization.</p> <p>There is a special exception for licensed medical professionals who receive compensation for medical services performed.</p>