

117TH CONGRESS
1ST SESSION

S. 1547

To amend the Internal Revenue Code of 1986 to apply a 1 percent excise tax on large endowments of certain private colleges and universities, to require that such institutions distribute at least 5 percent of large endowments in each taxable year, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 11, 2021

Mr. COTTON introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to apply a 1 percent excise tax on large endowments of certain private colleges and universities, to require that such institutions distribute at least 5 percent of large endowments in each taxable year, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Ivory Tower Tax Act
5 of 2021”.

1 **SEC. 2. EXCISE TAX ON CERTAIN LARGE PRIVATE COLLEGE**
 2 **AND UNIVERSITY ENDOWMENTS.**

3 (a) IN GENERAL.—Subchapter H of chapter 42 of
 4 the Internal Revenue Code of 1986 is amended by adding
 5 at the end the following new section:

6 **“SEC. 4969. EXCISE TAX ON CERTAIN LARGE PRIVATE COL-**
 7 **LEGE AND UNIVERSITY ENDOWMENTS.**

8 “(a) TAX IMPOSED.—There is hereby imposed on
 9 each specified applicable educational institution for the
 10 taxable year a tax equal to 1 percent of the aggregate fair
 11 market value of the assets of the institution at the end
 12 of the preceding taxable year.

13 “(b) SPECIFIED APPLICABLE EDUCATIONAL INSTI-
 14 TUTION.—For purposes of this subchapter, the term ‘spec-
 15 ified applicable educational institution’ means any applica-
 16 ble educational institution, other than an institution which
 17 is religious in nature, the aggregate fair market value of
 18 the assets of which at the end of the preceding taxable
 19 year (other than those assets which are used directly in
 20 carrying out the institution’s exempt purpose) is at least
 21 \$2,500,000,000.

22 “(c) OTHER TERMS.—For purposes of this section—

23 “(1) ASSETS.—The rules of section 4968(d)
 24 shall apply.

25 “(2) STUDENT.—The rules of section
 26 4968(b)(2) shall apply.”.

1 (b) CLERICAL AMENDMENT.—The table of sections
 2 for subchapter H of chapter 42 of the Internal Revenue
 3 Code of 1986 is amended by adding at the end the fol-
 4 lowing new item:

“Sec. 4969. Excise tax on certain large private college and university endow-
 ments.”.

5 (c) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to taxable years beginning after
 7 December 31, 2021.

8 **SEC. 3. FAILURE TO DISTRIBUTE ENDOWMENT ASSETS.**

9 (a) IN GENERAL.—Subchapter H of chapter 42 of
 10 the Internal Revenue Code of 1986, as amended by section
 11 2, is further amended by adding at the end the following
 12 new section:

13 **“SEC. 4970. FAILURE TO DISTRIBUTE ENDOWMENT ASSETS.**

14 “(a) TAX IMPOSED.—There is hereby imposed on the
 15 undistributed excess endowment amount of each specified
 16 applicable educational institution for the taxable year,
 17 which has not been distributed before the first day of the
 18 second (or any succeeding) taxable year following such
 19 taxable year (if such first day falls within the taxable pe-
 20 riod), a tax equal to 30 percent of such undistributed ex-
 21 cess endowment amount remaining undistributed at the
 22 beginning of such second (or succeeding) taxable year. The
 23 tax imposed by this section shall not apply to the undis-
 24 tributed excess endowment amount of a specified applica-

1 ble educational institution to the extent that the founda-
2 tion failed to distribute any amount solely because of an
3 incorrect valuation of assets, if—

4 “(1) the failure to value the assets properly was
5 not willful and was due to reasonable cause,

6 “(2) such amount is distributed as qualifying
7 distributions by the institution during the allowable
8 distribution period,

9 “(3) the institution notifies the Secretary that
10 such amount has been distributed as qualifying dis-
11 tributions to correct such failure, and

12 “(4) such distribution is treated, by reason of
13 subsection (e)(2), as made out of the undistributed
14 income for the taxable year for which a tax would
15 (except for this paragraph) have been imposed under
16 this subsection.

17 “(b) ADDITIONAL TAX.—In any case in which an ini-
18 tial tax is imposed under subsection (a) on the undistrib-
19 uted excess endowment amount of any specified applicable
20 educational institution for any taxable year, if any portion
21 of such amount remains undistributed at the close of the
22 taxable period, there is hereby imposed a tax equal to 100
23 percent of the amount remaining undistributed at such
24 time.

1 “(c) UNDISTRIBUTED EXCESS ENDOWMENT
2 AMOUNT.—For purposes of this section, the term ‘undis-
3 tributed excess endowment amount’ means, with respect
4 to any specified applicable educational institution for any
5 taxable year as of any time, the amount by which—

6 “(1) the distributable amount for such taxable
7 year, exceeds

8 “(2) the qualifying distributions made before
9 such time out of such distributable amount.

10 “(d) DISTRIBUTABLE AMOUNT.—For purposes of
11 this section, the term ‘distributable amount’ means, with
12 respect to any specified applicable educational institution
13 for any taxable year, an amount equal to 5 percent of the
14 aggregate fair market value of the assets of the institution
15 at the end of the preceding taxable year. The rules of sec-
16 tion 4968(d) shall apply for purposes of this section.

17 “(e) QUALIFYING DISTRIBUTIONS.—For purposes of
18 this section—

19 “(1) IN GENERAL.—The term ‘qualifying dis-
20 tribution’ has the meaning given such term in sec-
21 tion 4942(g).

22 “(2) OTHER RULES.—The rules of subsections
23 (h) and (i) of section 4942 shall apply.

1 “(f) TAXABLE PERIOD; ALLOWABLE DISTRIBUTION
2 PERIOD.—The rules of paragraphs (1) and (2) of section
3 4942(j) shall apply for purposes of this section.”.

4 (b) CLERICAL AMENDMENT.—The table of sections
5 for subchapter H of chapter 42 of the Internal Revenue
6 Code of 1986, as amended by section 2, is further amend-
7 ed by adding at the end the following new item:

“Sec. 4970. Failure to distribute endowment assets.”.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years beginning after
10 December 31, 2021.

11 **SEC. 4. TRANSFER OF FUNDS.**

12 The Secretary of the Treasury (or such Secretary’s
13 delegate) shall from time to time transfer from the general
14 fund of the Treasury to the Secretary of Labor amounts
15 equal to the increase in revenues by reason of the enact-
16 ment of sections 2 and 3, for the purpose of expanding
17 opportunities relating to apprenticeship programs reg-
18 istered under the National Apprenticeship Act. Such funds
19 shall be available until expended to carry out activities
20 under such Act through grants, cooperative agreements,
21 contracts and other arrangements, with States and other
22 appropriate entities.

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