

AMENDMENT TO THE  
SENATE AMENDMENT TO H.R. 1

Offered by Mr. Nehls

Section 4968 is amended to read as follows:

12 **"SEC. 4968. EXCISE TAX BASED ON INVESTMENT INCOME**  
13 **OF PRIVATE COLLEGES AND UNIVERSITIES.**

14       “(a) **TAX IMPOSED.**—There is hereby imposed on  
15 each applicable educational institution for the taxable year  
16 a tax equal to the applicable percentage of the net invest-  
17 ment income of such institution for the taxable year.

18       “(b) **APPLICABLE PERCENTAGE.**—For purposes of  
19 this section, the term ‘applicable percentage’ means—

20               “(1) 1.4 percent in the case of an institution  
21 with a student adjusted endowment in excess of  
22 \$500,000, and not in excess of \$750,000,

23               “(2) 7 percent in the case of an institution with  
24 a student adjusted endowment in excess of  
25 \$750,000, and not in excess of \$1,250,000,

1           “(3) 14 percent in the case of an institution  
2       with a student adjusted endowment in excess of  
3       \$1,250,000, and not in excess of \$2,000,000, and

4           “(4) 21 percent in the case of an institution  
5       with a student adjusted endowment in excess of  
6       \$2,000,000. .

7       “(c) APPLICABLE EDUCATIONAL INSTITUTION.—For  
8       purposes of this subchapter—

9           “(1) IN GENERAL.—The term ‘applicable edu-  
10       cational institution’ means an eligible educational in-  
11       stitution (as defined in section 25A(f)(2))—

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

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

17           “(C) which is not—

18           “(i) described in the first sentence of  
19       section 511(a)(2)(B) (relating to State col-  
20       leges and universities), or

21           “(ii) a qualified religious institution,  
22       and

23           “(D) the student adjusted endowment of  
24       which is at least \$500,000.

1           “(2) QUALIFIED RELIGIOUS INSTITUTION.—For  
2 purposes of this subsection, the term ‘qualified reli-  
3 gious institution’ means any institution—

4                   “(A) established after July 4, 1776,

5                   “(B) that was established by or in associa-  
6 tion with and has continuously maintained an  
7 affiliation with an organization described in sec-  
8 tion 170(b)(1)(A)(i), and

9                   “(C) which maintains a published institu-  
10 tional mission that is approved by the governing  
11 body of such institution and that includes, re-  
12 fers to, or is predicated upon religious tenets,  
13 beliefs, or teachings.

14           “(d) STUDENT ADJUSTED ENDOWMENT.—For pur-  
15 poses of this section—

16                   “(1) IN GENERAL.—The term ‘student adjusted  
17 endowment’ means, with respect to any institution  
18 for any taxable year—

19                   “(A) the aggregate fair market value of  
20 the assets of such institution (determined as of  
21 the end of the preceding taxable year), other  
22 than those assets which are used directly in car-  
23 rying out the institution’s exempt purpose, di-  
24 vided by

1           “(B) the number of eligible students of  
2           such institution.

3           “(2) ELIGIBLE STUDENT.—For purposes of  
4           this subsection, the term ‘eligible student’ means a  
5           student of the institution that meets the student eli-  
6           gibility requirements under section 484(a)(5) of the  
7           Higher Education Act of 1965.

8           “(e) DETERMINATION OF NUMBER OF STUDENTS.—  
9           For purposes of subsections (e)(1) and (d), the number  
10          of students of an institution (including for purposes of de-  
11          termining the number of students at a particular location)  
12          shall be based on the daily average number of full-time  
13          students attending such institution (with part-time stu-  
14          dents taken into account on a full-time student equivalent  
15          basis).

16          “(f) NET INVESTMENT INCOME.—For purposes of  
17          this section—

18                 “(1) IN GENERAL.—Net investment income  
19                 shall be determined under rules similar to the rules  
20                 of section 4940(c).

21                 “(2) OVERRIDE OF CERTAIN REGULATORY EX-  
22                 CEPTIONS.—

23                         “(A) STUDENT LOAN INTEREST.—Net in-  
24                         vestment income shall be determined by taking  
25                         into account any interest income from a student

1 loan made by the applicable educational institu-  
2 tion (or any related organization) as gross in-  
3 vestment income.

4 “(B) FEDERALLY-SUBSIDIZED ROYALTY  
5 INCOME.—

6 “(i) IN GENERAL.—Net investment in-  
7 come shall be determined by taking into  
8 account any Federally-subsidized royalty  
9 income as gross investment income.

10 “(ii) FEDERALLY-SUBSIDIZED ROY-  
11 ALTY INCOME.—For purposes of this sub-  
12 paragraph—

13 “(I) IN GENERAL.—The term  
14 ‘Federally-subsidized royalty income’  
15 means any otherwise-regulatory-ex-  
16 empt royalty income if any Federal  
17 funds were used in the research, de-  
18 velopment, or creation of the patent,  
19 copyright, or other intellectual or in-  
20 tangible property from which such  
21 royalty income is derived.

22 “(II) OTHERWISE-REGULATORY-  
23 EXEMPT ROYALTY INCOME.—For pur-  
24 poses of this subparagraph, the term  
25 ‘otherwise-regulatory-exempt royalty

1 income' means royalty income which  
2 (but for this subparagraph) would not  
3 be taken into account as gross invest-  
4 ment income by reason of being de-  
5 rived from patents, copyrights, or  
6 other intellectual or intangible prop-  
7 erty which resulted from the work of  
8 students or faculty members in their  
9 capacities as such with the applicable  
10 educational institution.

11 “(III) FEDERAL FUNDS.—The  
12 term ‘Federal funds’ includes any  
13 grant made by, and any payment  
14 made under any contract with, any  
15 Federal agency to the applicable edu-  
16 cational institution, any related orga-  
17 nization, or any student or faculty  
18 member referred to in subclause (II).

19 “(g) ASSETS AND NET INVESTMENT INCOME OF RE-  
20 LATED ORGANIZATIONS.—

21 “(1) IN GENERAL.—For purposes of sub-  
22 sections (d) and (f), assets and net investment in-  
23 come of any related organization with respect to an  
24 educational institution shall be treated as assets and

1 net investment income, respectively, of the edu-  
2 cational institution, except that—

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

6 “(B) unless such organization is controlled  
7 by such institution or is described in section  
8 509(a)(3) with respect to such institution for  
9 the taxable year, assets and net investment in-  
10 come which are not intended or available for  
11 the use or benefit of the educational institution  
12 shall not be taken into account.

13 “(2) RELATED ORGANIZATION.—For purposes  
14 of this subsection, the term ‘related organization’  
15 means, with respect to an educational institution,  
16 any organization which—

17 “(A) controls, or is controlled by, such in-  
18 stitution,

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

21 “(C) is a supported organization (as de-  
22 fined in section 509(f)(3)), or an organization  
23 described in section 509(a)(3), during the tax-  
24 able year with respect to such institution.

1       “(h) REGULATIONS.—The Secretary shall prescribe  
2 such regulations or other guidance as may be necessary  
3 to prevent avoidance of the tax under this section, includ-  
4 ing regulations or other guidance to prevent avoidance of  
5 such tax through the restructuring of endowment funds  
6 or other arrangements designed to reduce or eliminate the  
7 value of net investment income or assets subject to the  
8 tax imposed by this section.”.

9       (b) REQUIREMENT TO REPORT CERTAIN INFORMA-  
10 TION WITH RESPECT TO APPLICATION OF EXCISE TAX  
11 BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES  
12 AND UNIVERSITIES.—Section 6033 is amended by redes-  
13 ignating subsection (o) as subsection (p) and by inserting  
14 after subsection (n) the following new subsection:

15       “(o) REQUIREMENT TO REPORT CERTAIN INFORMA-  
16 TION WITH RESPECT TO EXCISE TAX BASED ON INVEST-  
17 MENT INCOME OF PRIVATE COLLEGES AND UNIVER-  
18 SITIES.—Each applicable educational institution described  
19 in section 4968(c) which is subject to the requirements  
20 of subsection (a) shall include on the return required  
21 under subsection (a)—

22               “(1) the number of eligible students taken into  
23 account under section 4968(c)(1)(D), and

24               “(2) the number of students of such institution  
25 (determined after application of section 4968(e)).”.



1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2025.