

News

Practical Recommendations for Compliance with Section 4960

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PUBLISHED

04/19/2024

SOURCE

American Health Law Association

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As many tax-exempt organizations approach the May 15 excise tax return deadline under Section 4960 of the Internal Revenue Code (“the Code”), we have considered and developed several practical recommendations for compliance with the Final Regulations effective for tax years commencing after 2021. While tax-exempt organizations are not subject to the limitations under Code Sections 162(m) and 280G, Code Section 4960 applies similar concepts from these Code sections to certain tax-exempt organizations. However, instead of a deduction limitation, Code Section 4960 generally imposes a 21% excise tax on payments made to covered employees of: (1) remuneration in excess of \$1 million for a taxable year, or (2) any excess parachute payments that are contingent on such employee’s involuntary separation from employment. This excise tax has applied to applicable tax-exempt organizations (“ATEOs”) for tax years commencing after 2017.

In the *American Health Law Association* article, “Practical Recommendations for Compliance with Section 4960,” Groom’s [Michael Cook](#), associate, and [Jeffrey Kroh](#), principal, provide a summary of many key concepts under Code Section 4960 and several practical recommendations for compliance with these legal requirements.

To read the article, [click here](#).