OFFICE FOR FISCAL AND REGULATORY ANALYSIS

Preliminary Analysis
June 1, 2026

OFRA Estimate

Tax Covered University Endowment Income at Full Corporate Rate

Budget Window: FY 2027-2036

Scenario	Low	Central	High
Federal fiscal impact	$8.5 billion (gain)	$10.2 billion (gain)	$12.6 billion (gain)
Gross Section 4968 receipts	$11.6 billion (gain)	$13.9 billion (gain)	$17.1 billion (gain)
Income/payroll tax offset	-$3.0 billion (loss)	-$3.6 billion (loss)	-$4.5 billion (loss)
IRS administrative costs	-$3.3 million (loss)	-$6.6 million (loss)	-$9.9 million (loss)

Note: Components may not sum to totals due to rounding. OFRA AI tools assisted in generating this estimate.

Notes and Methodology

1. Purpose of the v.0.1.0 estimate

This estimate implements an institution-level public-data proxy for the post-2025 Section 4968 base. The model builds a public-data proxy universe, filters it under the post-2025 coverage rules, and adds an explicit module for post-2025 net investment income addbacks: student-loan interest and federally subsidized royalty income.

2. Post-2025 law mapping

The model maps current Section 4968 into executable tests. The covered-institution screen applies a 3,000 tuition-paying student threshold, a more-than-50-percent U.S. student-location test, a $500,000 student-adjusted endowment threshold, and a state-college exclusion. It then assigns current-law rates of 1.4 percent, 4 percent, or 8 percent by student-adjusted endowment tier. The model also includes the statutory NII overrides for student-loan interest and federally subsidized royalty income. These amendments apply to taxable years beginning after December 31, 2025.[1]

3. Base bridge and universe construction

The starting public tax anchor remains IRS SOI Publication 6038 for CY2024. IRS reports 45 Schedule O returns and $168,823,327 of tax on net investment income of private colleges and universities. Dividing that reported tax by the 1.4 percent CY2024 rate implies $12.059 billion of old-law taxable NII.[2]

Because public SOI data do not identify taxpayers institution by institution, the model allocates the old-law aggregate NII across a public proxy universe using FY2024 endowment market values from the 2024 NACUBO-Commonfund public table. Candidate rows are private nonprofit institutions with at least 500 FTE students and at least $500,000 of endowment per FTE student, approximating the old-law coverage screen. The dollar allocation is scaled to reconcile exactly to the IRS aggregate.[3]

Base bridge item	v.0.1.0 value

IRS CY2024 Schedule O tax	$168,823,327
Implied CY2024 old-law taxable NII	$12.059 billion
IRS Schedule O returns	45
Old-law public-proxy candidate rows	46
Post-2025 covered rows	19
Universe retention factor	87.1%
Retained CY2024 old-rule NII	$10.503 billion
Removed by post-2025 universe bridge	$1.556 billion
Weighted current-law rate before addbacks	5.7%
Central expanded NII addback, CY2024	$46.8 million

4. Institution-level calculation

For each covered institution row and each budget-window year, the workbook calculates old-rule NII by applying the CBO-based cumulative growth factor to the retained CY2024 NII allocation. It then adds the scenario-specific expanded NII addback, calculates current-law tax using the institution-specific 1.4 percent, 4 percent, or 8 percent rate, and calculates proposal tax at 21 percent after the scholarship/aid exclusion, behavioral reduction, and loss-adjustment assumptions. The gross receipts estimate is proposal tax minus current-law tax, summed across institutions. CBO growth inputs use PCE inflation plus potential total factor productivity growth;[4] income/payroll offsets use JCT excise-tax offset factors.[5]

5. Expanded NII addback module

The Expanded NII Addbacks sheet provides direct override columns for institution-specific student-loan interest and federally subsidized royalty income. Where direct values are not entered, the public-data proxy applies scenario factors to retained old-rule NII. The central case applies a 0.05 percent student-loan-interest factor, a 0.40 percent royalty factor for doctoral institutions, and a 0.10 percent royalty factor for non-doctoral institutions. These proxy factors are deliberately transparent and editable; they can be replaced with audited-statement, Form 990, technology-transfer, or student-loan-receivable data where available.

6. Results

The central estimate is $10.2 billion of net federal receipts over FY2027-FY2036. The low and high cases are $8.5 billion and $12.6 billion, respectively. The scenario range is driven primarily by scholarship/aid exclusion assumptions, behavioral reductions, current-law tier mix, and the size of the expanded NII addback.

7. Limitations and interpretation

This institution-level public-data proxy is not a return-level audit. The largest remaining uncertainty is that public data do not provide each taxpayer's Schedule O net investment income, statutory daily-average tuition-paying student count, direct-use asset exclusions, related-organization asset and income adjustments, or actual student-loan-interest and federally subsidized royalty addbacks. The model therefore separates direct override columns from proxy formulas so future institution-specific evidence can replace assumptions without redesigning the model.

The row count should not be interpreted as a confirmed IRS taxpayer count. The old-law public proxy contains 46 candidate rows, compared with 45 Schedule O returns in the IRS aggregate. The model reconciles dollars to the IRS aggregate but uses public endowment/FTE data to allocate the base and apply the post-2025 filter.

Appendix A. Scenario assumptions and totals

Scenario	Scholarship/aid exclusion	Behavioral reduction	CY2024 addback	Gross receipts	Net impact
Low	10.0%	24.8%	$10.4M	$11.575B	$8.532B
Central	7.5%	18.4%	$46.8M	$13.870B	$10.221B
High	5.0%	9.0%	$93.6M	$17.070B	$12.577B

[1] 26 U.S.C. Section 4968, current post-2025 text, https://uscode.house.gov/view.xhtml?req=(title:26%20section:4968%20edition:prelim).
[2] IRS Statistics of Income, Publication 6038 (Rev. 1-2026), Excise Taxes, Calendar Year 2024, https://www.irs.gov/pub/irs-pdf/p6038.pdf.
[3] NACUBO Public NCSE Tables, 2024 NACUBO-Commonfund Study of Endowments, https://www.nacubo.org/Research/2024/Public-NCSE-Tables.
[4] Congressional Budget Office, The Budget and Economic Outlook: 2026 to 2036, https://www.cbo.gov/publication/61882.
[5] Joint Committee on Taxation, JCX-10-25, Income and Payroll Tax Offsets to Changes in Excise Tax Revenues for 2025-2035, https://www.jct.gov/getattachment/6a046715-7bc7-4687-9749-2b02a9cba0de/x-10-25.pdf.