

People Payments: Executive Compensation Tax Issues

Tara Schulstad Sciscoe, Ice Miller LLP
Wendy M. Swary, The Ohio State University



1

Overview

2

Overview and Objectives

Tax laws and regulations can have a significant impact on executive compensation, including executive employment agreements

Objectives:

- Provide an overview of key tax laws and regulations impacting executive employment agreements
- Review common provisions in executive employment agreements and share drafting tips
- Questions

Key Tax Laws and Regulations

Key Tax Laws and Regulations

- IRC Section 4960 – Tax on excess tax-exempt organization executive compensation
- IRC Section 4958 – Tax on excess benefit transactions (intermediate sanctions)
- IRC Section 409A – Nonqualified deferred compensation plans
- IRC Section 457(f) – Ineligible deferred compensation plans of state and local governments and tax-exempt organizations

5

Section 4960 – General

Section 4960 imposes a 21% excise tax on:

- **Remuneration** (not including **excess parachute payments**) in excess of \$1,000,000 paid for a taxable year by an **applicable tax-exempt organization** with respect to the employment of a **covered employee**; and
- **Excess parachute payments** paid by an **applicable tax-exempt organization** to a **covered employee** for the taxable year.

6

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the [UT Law CLE eLibrary \(utcle.org/elibrary\)](http://utcle.org/elibrary)

Title search: People Payments: Executive Compensation Tax Issues

Also available as part of the eCourse

[2018 Higher Education Taxation eConference](#)

First appeared as part of the conference materials for the
6th Annual Higher Education Taxation Institute session

"People Payments: Executive Compensation Tax Issues"