

Tax-Exempt Organizations Alert: Nonprofit Executive Compensation

DC Bar Pro Bono Program
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Section 4958 of the Internal Revenue Code imposes a penalty excise tax directly on certain persons who receive excessive compensation from certain tax-exempt, nonprofit organizations. The joint alert, from the DC Bar and Miller & Chevalier, discusses how if a nonprofit executive violates section 4958 of the Code, the nonprofit executive is personally liable to pay one or more penalty excise taxes. In some cases, managers of a nonprofit who approve excessive compensation arrangements, such as members of the board of directors, may also have to pay an excise tax. A nonprofit organization can limit the potential exposure of its executives to section 4958 taxes by following a safe-harbor procedure contained in applicable IRS regulations.