

## Protecting Endowments from Our Adversaries Act (PEOAA)

### The Problem:

- According to data from [PitchBook](#), US University endowment dollars have helped fund technology behind the Chinese government's surveillance of Muslim ethnic minorities.
- Tax advantaged endowment dollars are supposed to be used to lower tuition costs and improve education; they should not be funding our adversaries.
- In a 2020 [letter](#), the State Department, led by Secretary Pompeo, said that studies have shown that the majority of the U.S. university endowment fund portfolios own People's Republic of China stocks listed on American exchanges either directly or indirectly through emerging markets index funds.

### What PEOAA does:

- Applies to private college and university endowments over \$1,000,000,000
- Disincentivizes endowments from investing (directly or indirectly) in adversarial entities that are on any of the following US Government Lists (USG):
  - [Entity List](#), [Military End User \(MEU\) List](#), [Unverified List](#), [FCC Covered List](#)
  - These lists are maintained by the USG and restrict the export of certain sensitive technologies and components to organizations who are involved in activities that threaten the national security of the United States. The USG could not verify their legitimacy and reliability in an end-use check or are deemed to pose an unacceptable risk to national security.
  - Treasury will maintain a master list that updates as companies are added or taken off each list.
- Imposes a 50% excise tax on the principal investment at the time of acquisition if an endowment invests in a company that is listed.
- One year after an entity is listed, imposes a 100% excise tax on the realized gains derived from listed investments.
- Once signed into law, the bill will not take effect until the following December.

### Background on Endowments:

- Endowments have a tax advantage status in the Internal Revenue Code (IRC).
- According to the [National Association of College and University Business Officer's \(NACUBO\) list](#) there are about 80 private endowments with over \$1,000,000,000 in market value.
- The vast majority of endowments do not pay any taxes.
- A small percentage of private colleges and universities pay a tax of 1.4% of net investment income of such institution for the taxable year.
- Most, if not all endowments have socially responsible, ethically responsible, or what is commonly referred to as Environmental, Social, and Governance (ESG) guidelines for investments.
- Princeton's endowment even [states](#): "they actively *avoid* funding firms whose corporate practices violate human rights, labor rights, perpetuate discrimination, and destroy the environment."