Protecting Endowments from Our Adversaries Act (PEOAA)

Endowments have a tax-advantaged status in the Internal Revenue Code (IRC). According to the National Association of College and University Business Officers' (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 institutions for the taxable year.

University endowments have a history of links to companies implicated in human rights abuses in China. 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 said studies have shown a 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.

The Protecting Endowments from Our Adversaries Act (PEOAA) would apply to private college and university endowments over $1,000,000,000 and:

- Disincentivize 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
- Directs the Treasury Secretary to maintain a master list that updates as companies are added or taken off each list.
- Impose a 50% excise tax on the principal investment at the time of acquisition if an endowment invests in a company that is listed.
- Impose a 100% excise tax on the realized gains derived from listed investments one year after an entity is listed.