



## Congress Should Repeal Tax on Nonprofit Parking and Transportation Expenses

A provision in the Tax Cuts and Jobs Act imposes unrelated business income taxes (UBIT) on expenses that tax-exempt nonprofits incur for transportation benefits, including payments for employee parking and transit passes. The new tax, which is codified as Section 512(a)(7) of the Internal Revenue Code, took effect on January 1, 2018.. *Nonprofits are asking Congress to repeal this new tax, which diverts needed resources away from nonprofits' missions of serving communities.*

### What are nonprofits' concerns about this new tax?

- The new **income** tax on parking and transportation **expenses** is particularly problematic for many North Carolina nonprofits that operate in cities and towns throughout North Carolina. The Center has heard from many organizations in Charlotte, Raleigh, Durham, Wilmington, Asheville, and other urban areas that are now subject to UBIT on their parking expenses.
- Nonprofits that provide parking and transit benefits for their employees – including some churches – are now required to file Form 990-T with the IRS. Most of these organizations had never paid federal income tax prior to this, and many remain unaware of the new filing and tax requirements.
- The Internal Revenue Service issued partial guidance on this new tax in December 2018, requiring organizations to conduct a four-step calculus for determining which parking spaces are taxable and by how much. This process is expensive, time-consuming, and confusing for charitable nonprofits, foundations, and houses of worship.
- Many North Carolina nonprofits paid this tax for the first time in 2019. They report that the cost of calculating the tax and engaging a CPA to prepare tax forms has been even more burdensome than the tax itself. For example, one organization spent thousands of dollars in administrative costs to calculate, file, and pay a tax of \$7.
- This tax is taking resources away from the programs and services that charitable organizations provide for communities. This translates to fewer meals delivered to seniors, reductions in church ministries, less child care for working families, and fewer scholarships to low-income children.

### What can Congress do to address this problem?

- **Congress should pass legislation to repeal Section 512(a)(7) of the Internal Revenue Code.**
- Please consider co-sponsoring one or more of these bills to repeal the tax on nonprofit parking and transportation expenses:
  - **H.R. 1545** or **S.632** (LIFT for Charities Act);
  - **H.R. 513** or **S.1282** (Preserve Charities and Houses of Worship Act); or
  - **H.R. 1223** (Stop the Tax Hike on Charities and Places of Worship Act).

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