

October 26, 2018

The Honorable Kevin Brady, Chairman  
U.S. House Committee on Ways & Means  
1102 Longworth House Office Building  
Washington, D.C. 20515

The Honorable Richard Neal, Ranking Member  
U.S. House Committee on Ways & Means  
1102 Longworth House Office Building  
Washington, D.C. 20515

The Honorable Orrin Hatch, Chairman  
U.S. Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, D.C. 20510

The Honorable Ron Wyden, Ranking Member  
U.S. Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, D.C. 20510

***Re: Unrelated Business Income Tax on Qualified Transportation Fringe Benefits in Section 512(a)(7)***

Dear Chairman Brady, Ranking Member Neal, Chairman Hatch, and Ranking Member Wyden:

Until this year, tax-exempt organizations that provided transportation and parking benefits to their employees were not subject to tax on those benefits, whether provided directly or indirectly. The Tax Cuts and Jobs Act (TCJA), however, brought about a sea change for these tax-exempt organizations, imposing the 21 percent unrelated business income tax (UBIT) on qualified transportation benefits. Not only do these organizations now have to pay a hefty tax on these benefits but they must value them as well, which can be difficult when there is no clearly defined valuation method.

As for fairness, taxable corporations also must pay tax on these employee benefits, however in the TCJA, corporations received an income tax rate reduction while tax-exempts received no similar tax relief. To be clear, subjecting the tax-exempt sector to UBIT on transportation and parking benefits diverts funds that would otherwise go toward valuable mission services. While full repeal is preferable, the undersigned tax-exempt organizations request that you strongly consider the following:

1. A delay in the effective date of this provision to provide organizations time to establish new accounting systems to value and track such benefits, which have never been subject to tax before;
2. A carve-out for tax-exempts required by law to provide parking and/or other qualified transportation benefits to employees; and
3. For lawmakers to encourage the Treasury Department to issue guidance on valuing these benefits, which in many cases have no readily ascertainable value.

We request a delay in the effective date for at least a year, and further until Treasury and the IRS have issued guidance explaining how to implement this new tax. This new law is forcing many tax-exempt employers, including churches and other houses of worship, to file federal Form 990-T for the first time regardless of whether they engage in any unrelated business activity. Many organizations have missed filing deadlines or, not knowing how to comply, have misfiled Form

990-T. A delay of this provision would hold these tax-exempts harmless until they have clear instructions on how to file.

Additionally, many localities around the country mandate employers over a certain size provide transportation fringe benefits, and some states have their own UBIT mirroring the federal tax, thus compounding the financial hit even further. We estimate approximately 2 million employees work for tax-exempts in localities mandating transportation fringe benefits, which spreads across 250,000 organizations. A forthcoming study commissioned by Independent Sector should provide a more robust estimate of how costly the new UBIT provisions will be for tax-exempt organizations, focusing in these areas.

Thank you for your consideration, and we look forward to working with you to ensure the continued vitality of America's tax-exempt sector.

CC:

The Honorable Paul Ryan, Speaker  
U.S. House of Representatives  
1233 Longworth House Office Building  
Washington, D.C. 20515

The Honorable Nancy Pelosi, Leader  
U.S. House of Representatives  
233 Cannon House Office Building  
Washington, D.C. 20515

The Honorable Mitch McConnell, Leader  
U.S. Senate  
317 Russell Senate Office Building  
Washington, D.C. 20510

The Honorable Chuck Schumer, Leader  
U.S. Senate  
322 Hart Senate Office Building  
Washington, D.C. 20515

### Signers

#### Alaska

- Museums Alaska – Fairbanks, Alaska

#### Arizona

- Museum Association of Arizona – Phoenix, Arizona

#### Arkansas

- Arkansas Museums Association – Little Rock, Arkansas

## California

- California Association of Museums – Santa Cruz, California
- Child Support Directors Association – Sacramento, California
- Diving Equipment and Marketing Association – San Diego, California

## Colorado

- Colorado Nonprofit Association – Denver, Colorado
- Colorado Nonprofit Association of the Pikes Peak Region – Colorado Springs, Colorado

## District of Columbia

- Agricultural Retailers Association – Washington, D.C.
- American Association for Clinical Chemistry – Washington, D.C.
- American Association of Orthopedic Surgeons – Washington, D.C.
- American Association on Intellectual and Developmental Disabilities – Washington, D.C.
- American Cancer Society Action Network – Washington, D.C.
- American Farm Bureau Federation – Washington, D.C.
- American Foreign Service Association – Washington, D.C.
- American Gas Association – Washington, D.C.
- American Horse Council – Washington, D.C.
- American Society of Association Executives – Washington, D.C.
- American Society of Hematology – Washington, D.C.
- American Veterinary Medical Association – Washington, D.C.
- Association of Art Museum Directors – Washington, D.C.
- Consumer Healthcare Products Association – Washington, D.C.
- Council for Advancement and Support of Education – Washington, D.C.
- Credit Union National Association – Washington, D.C.
- Dance/USA – Washington, D.C.
- Endocrine Society – Washington, D.C.
- The Financial Services Institute – Washington, D.C.
- Independent Community Bankers of America – Washington, D.C.
- Independent Sector – Washington, D.C.
- Linguistic Society of America – Washington, D.C.
- National Association of College and University Business Officers (NACUBO) – Washington, D.C.
- National Association of County and City Health Officials (NACCHO) – Washington, D.C.
- National Association of Federal Veterinarians – Washington, D.C.
- National Association of Independent Schools – Washington, D.C.
- National Association of Railroad Passengers Inc. – Washington, D.C.
- National Association of Veterans' Research and Education Foundations – Washington, D.C.
- National Business Officers Association – Washington, D.C.
- National Council of Nonprofits – Washington, D.C.

- National Human Services Assembly – Washington, D.C.
- National Grange – Washington, D.C.
- Senior Executives Association – Washington, D.C.
- Wagner Law Group – Washington, D.C.
- YMCA of the USA – Washington, D.C.

#### Florida

- Florida Association of Museums – Tallahassee, Florida
- Florida Association of Nonprofits – Fort Lauderdale, Florida

#### Georgia

- Georgia Association of Museums and Galleries – Marietta, Georgia
- Licensed Professional Counselors Association of Georgia – Norcross, Georgia
- National Christian Foundation – Alpharetta, Georgia
- Southeastern Council of Foundations – Atlanta, Georgia

#### Illinois

- American Academy of Orthopaedic Surgeons – Rosemont, Illinois
- Appraisal Institute – Chicago, Illinois
- Certified Commercial Investment Member Institute – Chicago, Illinois
- Institute of Food Technologists – Chicago, Illinois
- Institute of Real Estate Management – Chicago, Illinois

#### Indiana

- Indiana Philanthropy Alliance – Indianapolis, Indiana

#### Iowa

- Iowa Museum Association – Cedar Falls, Iowa

#### Maryland

- American Society of Addiction Medicine – Chevy Chase, Maryland
- American Speech-Language-Hearing Association – Rockville, Maryland
- Goodwill Industries International, Inc. – Rockville, Maryland
- Renal Physicians Association – Rockville, Maryland

#### Michigan

- Council of Michigan Foundations – Grand Rapid, Michigan
- Michigan Museums Association – Cheboygan, Michigan
- Michigan Nonprofit Association – Lansing, Michigan
- Michigan Society of Association Executives – East Lansing, Michigan

#### Minnesota

- Minnesota Council of Nonprofits – St. Paul, Minnesota

## Missouri

- American Association of Veterinary State Boards – Kansas City, Missouri
- American Public Works Association – Kansas City, Missouri
- Missouri Association for Museums and Archives – Columbia, Missouri

## Montana

- Museums Association of Montana – Chinook, Montana

## New Jersey

- The Institute of Electrical and Electronics Engineers - United States of America – Piscataway, New Jersey
- Institute of Management Accountants – Montvale, New Jersey
- New Jersey Association of Museums – Montclair, New Jersey

## New Mexico

- New Mexico Association of Museums – Albuquerque, New Mexico

## New York

- American Thoracic Society – New York City, New York
- Girl Scouts of the USA – New York City, New York
- Human Services Council of New York – New York City, New York
- The Jewish Federations of North America – New York City, New York
- League of American Orchestras – New York City, New York
- Museum Association of New York – Troy, New York
- New York Council of Nonprofits (NYCON) – Albany, New York
- Nonprofit Coordinating Committee of New York – New York City, New York
- OPERA America – New York City, New York
- The Risk Management Society – New York City, New York
- Theatre Communications Group – New York City, New York

## North Carolina

- North Carolina Museums Council – High Point, North Carolina

## Ohio

- Ohio Museums Association – Columbus, Ohio
- Ohio Trucking Association – Columbus, Ohio
- Ohio Society of Association Executives – Columbus, Ohio

## Oklahoma

- Oklahoma Museums Association – Oklahoma City, Oklahoma

## Tennessee

- College and University Professional Association for Human Resources – Knoxville, Tennessee
- Tennessee Association of Museums – Nashville, Tennessee

#### Texas

- American Payroll Association – San Antonio, Texas
- National Association of Insurance and Financial Advisors – Austin, Texas

#### Utah

- Utah Museums Association – Salt Lake City, Utah

#### Virginia

- Academy for Eating Disorders – Reston, Virginia
- Ambulatory Surgery Center Association – Alexandria, Virginia
- American Alliance of Museums – Arlington, Virginia
- American Mental Health Counselors Association – Alexandria, Virginia
- Association for Commuter Transportation – Alexandria, Virginia
- Consumer Technology Association – Arlington, Virginia
- Council on Foundations – Arlington, Virginia
- Federal Managers Association – Alexandria, Virginia
- Healthcare Distribution Alliance – Arlington, Virginia
- Independent Electrical Contractors – Alexandria, Virginia
- National Active and Retired Federal Employees Association – Alexandria, Virginia
- National Affordable Housing Management Association – Alexandria, Virginia
- National Association of Chain Drug Stores, Inc – Arlington, Virginia
- National Electrical Manufacturers Association – Arlington, Virginia
- Nonprofit Federation – Alexandria, Virginia
- Society of American Florists – Alexandria, Virginia
- Virginia Association of Museums – Richmond, Virginia
- Volunteers of America – Alexandria, Virginia

#### Washington

- King County Bar Association – Seattle, Washington
- Washington Nonprofits – Seattle, Washington

#### Wyoming

- Colorado-Wyoming Association of Museums – Casper, Wyoming