

NEWS AND ANALYSIS

JUNE 20, 2019

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Congressional Committee Passes Repeal of Nonprofit 'Parking Tax'

By Alex Daniels



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The House Ways and Means Committee passed legislation Thursday that would repeal a tax on nonprofits' transportation benefits, clearing the way for a floor vote on a provision in the 2017 tax overhaul that is reviled by many nonprofits.

Often called the "parking tax," the provision changed how the unrelated business income tax was applied to nonprofits, resulting in a new 21 percent levy on parking and transportation benefits offered to employees of charities and

churches.

Eliminating the provision was a key priority of many nonprofit advocacy groups, including the Council on Foundations, Independent Sector, the National Council of Nonprofits, and the United Philanthropy Forum.

The Ways and Means Committee was scheduled to hold a hearing on the tax Wednesday, but it was canceled, and instead committee Chairman Richard Neal, a Massachusetts Democrat, included a provision repealing the tax in broader legislation passed by the committee.

The imposition of the new tax hit a "raw nerve" for many nonprofits that previously had never had to make tax payments to the Internal Revenue Service, according to written testimony prepared for Wednesday's canceled hearing from David Thompson, vice president for public policy for the

National Council of Nonprofits.

The new tax "imposes significant costs and record-keeping burdens on nonprofits, making it harder for these organizations to address their charitable missions and more difficult to recruit and retain employees," Thompson wrote.

A study of Washington, D.C., nonprofits conducted by the Urban Institute found that about 65 percent of the city's 135,000 nonprofit employees receive fringe benefits, like parking and transit subsidies. The average burden of the new tax for their employers is about \$10,000 per nonprofit, Urban found.

Several related bills are pending in the Senate.

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