NEW TAX COSTS NONPROFITS THOUSANDS

Help end this tax on tax-exempt organizations by voting yes on HR 1223 and HR 1545.

The Tax Cuts and Jobs Act of 2017 created a new, 21 percent federal tax on the cost of providing employee transportation benefits, such as parking and mass transit expenses, effective January 1, 2018. The law made changes to the unrelated business income tax (UBIT) in Internal Revenue Code Section 512(a)(7), mandating a new tax that is not only burdensome and complicated for charities – as evidenced by the 24 pages of draft guidance the IRS released in January – but is also costly and diverts charitable resources away from community needs. We urge its repeal and ask Ohio's U.S. House members to co-sponsor HR 1223, the Stop the Tax on Charities and Places of Worship Act, and HR 1545, the LIFT for Charities Act.

While nonprofits like Philanthropy Ohio will pay the new UBIT for the parking benefits it provides to its dozen employees (calculated as $2,500 for 2018), the country's largest employers – like big box retailers – will not pay a penny, because the IRS guidance will give them a pass if the parking they provide to employees takes up less than half of all parking spaces. Adding to the burden is the imposition of the tax on funds employees have withheld from paychecks – as allowed by federal law – for these benefits.

The great majority of nonprofits – 92 percent of those in the country – have annual budgets under $1 million and 88 percent have budgets under $500,000. This new tax places an extraordinary record-keeping burden and cost on such organizations, who may decide to stop offering such benefits and making it harder than ever to recruit and retain employees in the sector.

OHIO'S NONPROFIT SECTOR

37,267 public charities

11.6% of the state's workforce

$103 billion generated in revenue

URBAN INSTITUTE & GEORGE WASHINGTON UNIVERSITY REPORT FINDINGS

61% The amount of nonprofits surveyed that will owe transportation UBIT

$2M+ The total nonprofits will owe

$210K+ Amount spent for administration and reporting

Source: How the TCJA's New UBIT Provisions Will Affect Nonprofits, January 2019

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