

REPEALED: UBTI for Fringe Benefits

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Background

The Tax Cuts and Jobs Act, as passed in 2017, imposed additional tax obligations on exempt organizations. Specifically, IRC Sec. 512(a)(7) required tax-exempt organizations to increase Unrelated Business Taxable Income ("UBTI") by the amount of parking and qualified transportation fringe ("QTF") benefits that were disallowed as a deduction under IRC Sec. 274.

The resulting tax consequences for the tax-exempt community created many compliance headaches and reduced exempt organizations' ability to focus resources on exempt functions and activities.

The Repeal

On December 20, 2019, the President of the United States of America, signed the "Further Consolidated Appropriations Act, 2020" (H.R. 1865) into law.

As written, this act repeals IRC Sec. 512(a)(7), eliminating the requirement for exempt organizations to include parking and transportation fringe benefits as part of their UBTI calculations.

Not only is the tax on transportation benefits repealed, it is repealed retroactively to the date the Tax Cuts and Jobs Act was originally made effective. This means that exempt organizations will no longer be subject to tax on parking, QTF benefits, and athletic facilities as of January 1, 2018.



Tax Refunds

Because tax-exempt organizations have already filed tax returns (and paid tax) for their tax year ending in 2018, exempt organizations will likely soon be eligible to request a tax refund for any tax paid due to previously disallowed fringe benefits. We expect the IRS to issue specific guidance for processing refund requests, so we will continue to monitor further developments.

What's Next?

Calibre CPA Group PLLC will continue to communicate with our clients regarding tax law changes that impact them. Once the refund process is announced by the IRS, we will work diligently to request refunds on behalf of our affected clients. In the meantime, please contact Calibre CPA Group PLLC at 202.331.9880 with any questions.