Parking Tax Among Several Key Taxes to be Repealed

From Karin Johns at NAICU

A series of funding bills passed by the U.S. House and Senate, and expected to be quickly signed by President Trump, contain significant wins for colleges and universities and the students and families they serve.

Both the "Parking Tax," a new tax on nonprofit employers who offer mass transit and other transportation benefits to their employees, and the Kiddie Tax, which changed the tax rate for income held in a child's name from the parents' rate to the rate of estates and trusts, will be repealed. Repeal of both taxes have been a top priority for colleges and universities.

The Parking Tax affects the entire nonprofit community, including colleges and universities, churches, and other charities. The repeal of the Parking Tax will be in effect retroactively to January 1, 2018. Amounts paid in 2018 will be refundable and amounts being scheduled for payment for 2019 will not be due.

Meanwhile, students who received scholarships and grants for room and board were seeing their tax bills more than double as a result of the Kiddie Tax. The Kiddie Tax rate change also affected students who are members of Gold Star military families.

Both the Parking Tax and Kiddie Tax were enacted as part of the Tax Cuts and Jobs Act tax reform legislation signed into law two years ago.

Also repealed was the Cadillac Tax on premium health insurance plans that was scheduled to take effect on January 1, 2022. This tax was used to help pay for the Affordable Care Act during the Obama Administration, and would have caused a 40% premium increase for employers who offer more expensive PPO health insurance plans. This tax also would have had a disproportionate impact on employees of colleges and universities who often receive more generous health insurance benefits than other employees.

A new expansion of IRC Sec. 529 college savings plans was also added that will allow funds to be used to repay student loans. While there's a $10,000 limit on how much in 529 savings the new treatment would apply to, the legislation stipulates it's a per child cap; siblings of 529 beneficiaries would get their own $10,000 limit.

Lastly, the tuition deduction for higher education expenses has been renewed for another year. This expiring provision was first enacted over a decade ago to provide relief for middle income and graduate students who did not qualify for the Hope and Lifetime Learning Credits. While it's a less-critical benefit for the majority of traditional students who can now claim the more-generous American Opportunity Tax Credit (AOTC), it does provide additional relief to graduate students and lifelong learners who incur tuition expenses beyond the four-year limit of the AOTC.