Two new taxes on nonprofits

Nonprofit Association of the Midlands
Serving Nebraska & Western Iowa

* * ACTION ALERT * *

Demand Delay of New Taxes on Tax-Exempt Organizations

What's the Issue?

Hidden in the weeds of the federal tax law enacted in December are two new taxes on nonprofits' "unrelated business income" that are surprising just about everyone. One provision requires tax-exempt employers to pay a 21 percent ***income*** tax on its ***expenses*** for employee transportation benefits such as transit passes and parking. Another tax change requires nonprofits with business income to pay the tax on each separate "trade or business" and prohibits the blending of profits and losses across lines of business. Both technically became effective on January 1, 2018, with quarterly tax payments due on April 15 for many nonprofits. Unfortunately for all law-abiding nonprofits, the IRS hasn't told anyone which transportation benefits are taxable or what types of activities constitute a separate "trade or business."

Many questions must be resolved before nonprofits can know and manage their unexpected tax liabilities. Nonprofits have a right to insist that the government provide both the necessary official guidance for compliance and a reasonable transition period for nonprofits to develop the necessary record-keeping systems. We encourage you to join the Nonprofit Association of the Midlands, the National Council of Nonprofits, the American Institute of Certified Public Accountants, the American Society of Association Executives, and many other organizations in calling on the Treasury Department and the IRS to delay the new taxes unless and until the government provides clear guidance.

Take Action Now!

Here are three things you can do right now:

1) Go to the IRS public comment form and insist that Treasury and the IRS delay implementing the two new UBIT subsections until one year after Final Rules are promulgated. (Fill in the **Form/Instruction/Publication Number** line with "Form 990-T." Here is sample language you can use for the Comment box:

> *"For legal, policy, and practical reasons, and consistent with established precedent, Treasury and the IRS should immediately delay implementing the two new UBIT subsections, retroactive to January 1, 2018, until one year after Final Rules are promulgated to provide both the necessary official guidance for compliance and a reasonable transition period for nonprofits to develop the*

necessary record-keeping systems."

2) Share the comments you submit and the questions you have about the new taxes with our colleagues at the National Council of Nonprofits so we collectively can work to get clear answers for you and all nonprofits.

3) See the blog post, Taxing Tax Exempts and Other Oxymorons in the New Tax Law, for more on the new taxes.

Thank you!

Anne Hindery, CEO
Nonprofit Association of the Midlands
Email: anne@nonprofitam.org

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