



Statement of the American Farm Bureau Federation

Comments Submitted for the Record for the Hearing on:

“Ending the TCJA Tax on Houses of Worship, Charities, and Nonprofits.”

by the

House Ways and Means Oversight Subcommittee

June 19, 2019

**Submitted By:
The American Farm Bureau Federation**

Farm Bureau supports repealing the unrelated business income tax (UBIT) on transportation fringe benefits provided by tax-exempt organizations, which was included in the Tax Cuts and Jobs Act (TCJA).

Until last year, tax-exempt organizations such as charitable nonprofits, houses of worship, foundations and associations like Farm Bureau that provided transportation and parking benefits to their employees were not subject to paying taxes on those benefits, whether provided directly or indirectly. The TCJA changed this for tax-exempt organizations by imposing a 21 percent UBIT on qualified transportation benefits, including tax on amounts withheld by employees.

Previously, exempt organizations could report their unrelated business income from all activities, deduct the related expenses and pay the tax on the resulting net taxable income. The UBIT created by the TCJA is a substantial departure in the UBIT statute, where tax-exempt organizations are now subject to pay a tax on an expense or employee withholding, as opposed to income. Imposing an income tax on an expense is nonsensical and makes it more expensive for tax-exempt organizations to offer benefits that attract and retain employees.

While taxable corporations can no longer deduct transportation benefits as an expense, they were granted an income tax rate reduction by the TCJA. However, tax-exempt organizations received no similar tax relief, only this tax increase. Subjecting tax-exempt organizations like Farm Bureau to UBIT on transportation and parking benefits diverts funds that would otherwise go toward valuable mission-related services. Repealing this provision would alleviate the harm this 21 percent tax is having on tax-exempt organizations' ability to serve their mission and the community.

Farm Bureau supports H.R. 1545, the Lessen Impediments from Taxes for Charities Act (LIFT for Charities Act), and H.R. 513, the Nonprofits Support Act. We urge the Ways and Means Oversight Subcommittee to repeal UBIT on transportation fringe benefits provided by tax-exempt organizations.