



The Honorable Richard Neal
2309 Rayburn House Office Building
United States House of Representatives
Washington, DC 20515

June 18, 2019

Re: Unrelated Business Income Tax on Qualified Transportation Fringe Benefits in Section 512(a)(7)

Dear Chairman Neal,

Tax-exempt organizations, like Girl Scouts of the USA, have limited resources to devote to their missions and need your immediate leadership to provide relief from a significant new tax burden created by the 2017 Tax Cuts and Jobs Act (TCJA). Without your swift action, tax-exempt entities upon which Americans rely will be forced to divert their time and resources away from their missions to calculate and then pay the new 21-percent unrelated business income tax (UBIT) the TCJA imposed on qualified transportation and parking benefits that tax-exempt groups provide to their employees. Not only do organizations like Girl Scouts now have to pay a hefty tax on these benefits, but they must put a value on the benefit offerings as well, which can be difficult when there is no clearly defined valuation method. Although the IRS issued some interim guidance in late 2018, it is incomplete and raises more questions for tax-exempt organizations that struggle to comply.

Administratively, the new tax is excessively burdensome. This new requirement forces many tax-exempt employers, including churches and other places of worship, to file federal Form 990-T for the first time, irrespective of their engagement in unrelated business activity. Many organizations have already misfiled Form 990-T or missed filing deadlines altogether. A study commissioned by Independent Sector reveals that 156 organizations reporting UBIT for the first time will incur an estimated \$200,000 in administrative expenses.¹ Those nonprofits responding to the survey also estimated that they will see an average of nearly \$12,000 diverted from their mission in order to meet this increased tax and administrative burden. Many large organizations will be forced to divert even larger sums from their missions to pay the new tax while smaller nonprofits are likely to pay more in accounting and legal fees spent trying to interpret and comply with the law than they actually pay in taxes.

To be clear, subjecting the tax-exempt sector to UBIT on transportation and parking benefits has and will continue to divert funds otherwise designated for

¹ How the TCJA's New UBIT Provisions Will Affect Nonprofits: A Tax on Transportation Fringe Benefits and Separate Reporting of Unrelated Business Income Streams, Urban Institute, January 2019. Available at <https://independentsector.org/resource/research-on-ubit-provisions-in-2017-tax-cuts-and-jobs-act/>

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valuable mission-related services and could have broad and dire ramifications for the many communities nonprofits serve. Additionally, many localities require tax-exempts of a certain size to provide transportation fringe benefits to employees, meaning many organizations are subject to the tax simply for complying to local mandates. Moreover, several states couple their state laws to federal law, thus exposing churches and charities to additional tax liability.

For these reasons, please reconsider this important issue that could severely impact Girl Scouts and the nonprofit community. **Girl Scouts of the USA and our 111 local councils across the country urge you to take action immediately to fully repeal this undue and burdensome UBIT on tax-exempts.** Thank you for your attention to this critical matter. We look forward to working together on issues that support building girls of courage, confidence, and character. If you have questions, or would like additional information please contact Madeline Shepherd, manager, public policy at Girl Scouts of the USA at mshepherd@girlscouts.org.

Sincerely,

A handwritten signature in black ink that reads "Sybil Acevedo".

- CC: The Honorable John Lewis
The Honorable Lloyd Doggett
The Honorable Mike Thompson
The Honorable John Larson
The Honorable Early Blumenauer
The Honorable Ron Kind
The Honorable Bill Pascrell, Jr.
The Honorable Danny Davis
The Honorable Linda Sanchez
The Honorable Brian Higgins
The Honorable Terri Sewell
The Honorable Suzan DelBene
The Honorable Judy Chu
The Honorable Gwen Moore
The Honorable Dan Kildee
The Honorable Brendan Boyle
The Honorable Donald Beyer, Jr.
The Honorable Dwight Evans
The Honorable Brad Schneider
The Honorable Tom Suozzi
The Honorable Jimmy Panetta
The Honorable Stephanie Murphy
The Honorable Jimmy Gomez
The Honorable Steven Horsford

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