

Tax Notes

Cheers! Year-End Appropriations Act includes Repeal of Controversial “Commuting/Parking Tax” for Tax-Exempt Organizations

By Garrett Higgins, CPA, Partner

Prior to recessing for the holidays, Congress passed the Consolidated Appropriations Act (Act). The Act was signed into law by the President on December 20, 2019, primarily to appropriate federal funds in order to avoid a government shutdown.

The Act also contains provisions for tax-exempt organizations, including the repeal of the tax on qualified transportation fringe benefits (QTFB), which originally was part of the Tax Cuts and Jobs Act (TCJA).

Under the TCJA, a tax-exempt organization’s unrelated business taxable income (UBTI) was increased by the amount of the QTFB expenses paid or accrued beginning in 2018 that would be non-deductible under IRC Section 274. This controversial tax had been the center of disapproval and met with strong opposition from the tax-exempt community.

The new legislation repeals the QTFB tax and is retroactive to the date of its enactment providing refund opportunities for those tax-exempt organizations that incurred the tax.

Refund Opportunity

Tax-exempt organizations that filed an unrelated business income tax return and paid tax on these qualified fringe benefits will be able to file for a refund claim.

Contact Us

If you have questions regarding how these rules will apply to your organization or need assistance applying for a refund claim, contact a member of your tax-exempt client service team at PKF O’Connor Davies or either of the following:

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