



June 18, 2019

The Honorable Richard E. Neal
United States Congress
Chairman
House Ways and Means

Dear Chairman Neal,

Thank you for introducing H.R. 3300, the Economic Mobility Act of 2019, and for subsequently prioritizing a markup of the legislation on Thursday, June 20. This important legislation will provide tax relief for middle-class families. The Association for Commuter Transportation (ACT) was particularly heartened to learn that the legislation included the repeal of the tax on exempt organizations that provide transportation fringe benefits to their employees.

Representing over 1,000 members across the United States, ACT brings together private and public-sector organizations working to improve the lives of commuters. This includes non-profit or tax-exempt employers like hospitals, universities, and museums. These organizations are being negatively impacted by a provision included in the Tax Cuts and Jobs Act that makes expenditures by tax-exempt organizations on transportation fringe benefits subject to a UBIT of 21 percent. The repeal of this provision is critical to these organizations.

Every day, over 130,000,000 Americans commute to work on our nation's roads and rails, in cars, buses, vans, trains, bikes, and their own two feet. According to data from Inrix, congestion in the United States costs a combined \$305 billion or more than \$2,300 per commuter. These are real dollars that impact the quality of life of hard-working Americans and Congress should be looking for ways to help people get to work, not for ways to make it more expensive.

The qualified transportation fringe benefit allows employers to utilize pre-tax dollars to purchase transit passes and vanpool fares for their employees, thus reducing their out-of-pocket expenses for commuting to work. The transportation fringe benefit allows employers to incentivize the use of more efficient and environmentally friendly forms of public transportation, thereby removing single-occupancy vehicles from our roads, reducing both congestion and environmental pollution. Traditionally, nonprofit organizations such as public charities, houses of worship, universities, and hospitals were not subject to taxes on employee transportation benefit programs.

Due to the 21 percent tax, these employee transportation benefit programs cost the average charity \$12,000 in 2018, according to a recent survey conducted by Independent Sector. However, a survey conducted by ACT of our university and hospital members found the average impact to these large institutions to be over \$250,000 in new taxes on transit programs alone, with 30% of respondents facilitating the pre-tax purchase or subsidy of transit passes valued at over \$1,000,000 per year. These are private sector investments in public transportation that should be rewarded – not taxed.

For nonprofit organizations with little or no unrelated business income, subjecting qualified transportation fringe benefits to UBIT will also result in increased administrative expenses, and new reporting requirements.



Association for Commuter Transportation

This means already cash-strapped charitable groups will have to divert funds to pay for the new tax burden and either choose to cut their public services or slash employee transit benefits. Either decision will hurt our communities. By including the repeal of this provision in H.R. 3300, you are putting some of our most financially vulnerable, impactful and important organizations, on more sound fiscal footing.

It is difficult to understand the rationale behind a law to impose upon tax-exempt organizations, a tax on an expense rather than on income. To be clear, the 21 percent tax increase on nonprofit organizations hurts everyone. The impacts of this tax go beyond the bottom line of these charities – employees may lose an affordable way to commute to work, all commuters may see increased congestion and commute times, and pollution may increase. Nonprofits are now faced with the decision to cut these programs and become less competitive in attracting and retaining employees that can still receive these benefits from for-profit companies or cut costs elsewhere. Your Committee is making sound policy decisions by repealing this provision.

Not all organizations have the option to cut transportation benefit programs. A growing number of municipalities require, by law, that employers of a certain size provide transportation benefits to their employees. This list includes some of America's largest hubs of nonprofit organizations, including: New York City, Washington, D.C., the San Francisco Bay area, Los Angeles and Seattle. The new tax is essentially penalizing organizations in these areas for complying with their local ordinances. Requiring employers to simply provide employees with the ability to purchase their transit pass through pre-tax dollars is a win-win and helps communities increase the efficiency of their transportation infrastructure. Congress should be supporting these efforts, not taxing them.

We strongly support your decision to prioritize the repeal of this unwise tax increase and enable exempt organizations to continue to support their employees with affordable transportation options to get to work.

Sincerely,

A handwritten signature in dark ink, appearing to read "David Straus", written in a cursive style.

David Straus
Executive Director