



Background & Talking Points

Repealing Unrelated Business Income Tax on Qualified Transportation Fringe Benefits

Introduction

The Association for Commuter Transportation ACT encourages members to reach out to their members of Congress to inform them about the negative impacts of the Tax Cuts & Jobs Act of 2017 on their organization. The following information will provide you with background on the issue and major talking points that you can use in letters, testimony, phone calls, or other outreach.

What is Transportation Demand Management?

Transportation Demand Management (TDM) means the use of strategies to inform and encourage travelers to maximize the efficiency of a transportation system leading to improved mobility, reduced congestion, and lower vehicle emissions.

Effective TDM strategies include:

- Access to the Qualified Transportation Fringe Benefit (pre-tax and/or subsidy)
- Provision of public transportation and/or private shuttle services
- Assistance with trip planning and ridesharing
- State and local commute trip reduction laws or regulations
- Parking management and pricing
- Use of High Occupancy Vehicle (HOV)/High Occupancy Toll (HOT) lanes
- Promotion and support of telecommuting & alternative work schedules
- Targeted marketing & education to inform commuters about options and shift behavior
- Investment and support of bicycle & pedestrian infrastructure

What are the benefits of TDM?

Real Options for Commuters

Transportation Demand Management programs and policies aim to provide commuters with a mix of reliable and affordable transportation options. Supported with effective marketing and advanced technologies, commuters can make informed choices to meet each trip's unique needs, while considering cost, time, and convenience.

Reduced Traffic Congestion

With even a small reduction in the number of single occupancy vehicles on our nation's roads, commuters can see significant reductions in congestion. TDM supports the most efficient use of our existing infrastructure by increasing per person throughput and allowing more people to use our infrastructure.

Improved Public Health and Safety

With reduced reliance on personal vehicles, our communities will see cleaner air leading to direct improvements in public health. TDM initiatives that support increased levels of walking and cycling also enhance overall quality of life; and more people on our streets and sidewalks will create safer neighborhoods.

Connecting People to Jobs & Supporting Economic Activity

With more commuting options and less traffic, people will have better and more reliable access to jobs. Businesses will see increased productivity from employees who spend less time stuck in traffic; and products will move quicker to market.

What is the Qualified Transportation Fringe Benefit?

The Qualified Transportation Fringe Benefit (QTFB) is one of the most effective TDM strategies in use by employers to help shift individuals away from single occupancy vehicles. Commonly referred to as commuter benefits and/or transit benefits, the QTFB allows both employers and employees to receive tax benefits through the pre-tax purchasing of public transit fare media including vanpool fares.

Effective January 1, 2019, the new allowable monthly limit is \$265. This can even be combined with the pre-tax parking benefit of \$265/month, enabling commuters to receive significant savings on the costs of parking at and using public transit.

How did the Tax Cuts & Jobs Act Impact the Qualified Transportation Fringe Benefit?

The [Tax Cuts & Jobs Act of 2017](#), included some changes to the QTFB – especially to exempt organizations. Within the bill, there is language that effectively provides that the unrelated business taxable income of an exempt organization be increased by the amount of the benefit (pre-tax and subsidy) provided to employees. As a result, non-profits (hospitals, universities, museums, etc.) providing a commuter transportation benefit will be hit hard, as they now will have to pay an unrelated business income tax (UBIT), equal to 21% of the total value of the transportation and parking benefits provided as a subsidy to employees or funded through a pretax payroll deduction. The Bicycle benefit was eliminated by the TCJA.

The following resources will provide additional information on the QTFB.

- [Section 132\(f\) – Qualified Transportation Fringe Benefits](#)
- [IRS Publication 15-B, Employers Tax Guide to Fringe Benefits](#)
- Interim Guidance on QTFB – [Notice 2018-99](#) (focus on parking expenses) and [Notice 2018-100](#) (pertains to waiver for certain exempt organizations)

Key Talking Points for Repealing the Unrelated Business Income Tax (UBIT):

We would like your support for delaying implementation of the UBIT and fighting for a repeal of the tax on Tax Exempt organizations!

- a. The Tax Cuts and Jobs Act (Tax Act) imposed a new unrelated business income tax (UBIT) on tax-exempt organizations offering qualified transportation fringe benefit programs.
 - i. This impacts universities, churches, hospitals, and other nonprofits across the country that now have to pay a 21 percent tax on these incentives.

- ii. A critical component of TDM is encouraging organizations/businesses to offer qualified transportation fringe benefits programs to shift employees from their cars to alternative forms of more efficient transportation.
- b. Tax exempt organizations that have never had to pay this tax before and are struggling with how they will pay for this new cost, which amounts to millions for several of our members.
 - i. Many suggest they will eliminate transportation benefit programs or place the burden on the employees to pay– this hurts non-profit budgets, hurts employees, makes non-profits less competitive and increases congestion!
- c. Treasury and IRS have yet to release guidance.
 - i. This has led to significant confusion for tax exempt organizations in how to calculate unrelated business income and file accurate tax reports.

Additional resources are available on ACT's website at www.actweb.org/hot-issues