

Non-Profit Notes Newsletter

IRS Addresses Taxation of Qualified Transportation Benefits

By Mark Piszko, CPA, CGMA, Partner

Recently, the Internal Revenue Service (IRS) issued [interim guidance](#) (Notice 2018-99) concerning the tax treatment of certain qualified transportation fringe benefits (QTFBs) expenses paid or incurred after December 31, 2017. The new rules apply specifically to parking expenses provided as a fringe benefit to employees and will help determine the amount of those expenses to be treated as unrelated business taxable income (UBTI) for not-for-profit entities.

Determining Potential Amount of UBTI

Under a special rule within the guidance, organizations have until March 31, 2019 to make changes to their employees' parking benefits that can potentially eliminate the need for the organization to file a Form 990-T, *Exempt Organization Business Income Tax Return*, or at least reduce or eliminate potential UBTI related to the parking benefits.

The interim guidance provides a detailed four-step process to assist organizations in determining the potential amount of UBTI connected with the provision of parking as a fringe benefit to employees. A number of examples covering different scenarios are also included in the guidance.

NFPs Must Take Action

The inclusion of parking expense and other QTFBs as taxable amounts on Form 990-T caught many not-for-profit organizations off guard and not sure how and when any tax due should be paid. As a result, organizations that failed to make quarterly estimated payments are subject to late filing penalties. In response, the IRS announced that it will provide some [estimated tax penalty relief](#) in 2018 (Notice 2018-100) to some not-for-profit organizations that provide these benefits and were not required to previously file a Form 990-T.

Contact Us

If your not-for-profit organization needs assistance with respect to the potential filing of Form 990-T or with any other accounting, auditing, tax or business consulting services, please contact Mark Piszko, CPA, CGMA, Partner-in-Charge, Not-for-Profit Services, at mpiszko@pkfod.com or 646.449.6316 or the partner in charge of your account.

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