

March 8, 2019

The Honorable Diane Feinstein
United States Senate
Washington, DC 20510

RE: Request to Cosponsor S. 632, the “LIFT for Charities Act,”
Repealing the Tax on Nonprofit Transportation Benefits

Dear Senator Feinstein,

On behalf of California’s nonprofit community we write to ask you to cosponsor S. 632, the bipartisan Lessen Impediments From Taxes for Charities Act or the “LIFT for Charities Act,” a bill introduced February 28 by Senators James Lankford (R-OK) and Christopher Coons (D-DE). The California Association of Nonprofits (CalNonprofits), a statewide policy alliance of more than 10,000 organizations, is the voice for California’s nonprofit community. Through our advocacy work, we protect and enhance the ability of California’s nonprofits to serve our state, the nation and the world.

The LIFT for Charities Act would repeal a provision of the Tax Cuts and Jobs Act, now codified as Internal Revenue Code Section 512(a)(7), that imposes a 21-percent unrelated business **income** tax on the **expenses** that *tax-exempt* nonprofits incur for providing to their employees transportation fringe benefits, such as parking and transit passes. As interpreted by the Treasury Department and the IRS, charitable nonprofits, houses of worship, foundations, and other nonprofits must pay this new tax not only on the amount of direct expenditures they make, but also on the amount that their employees ask to have withheld from their paychecks on a pre-tax basis, that is, voluntary salary reduction agreements made pursuant to federal law.

Time is of the essence in this request that you take immediate action by cosponsoring the bill. Quarterly estimated tax payments are due in a little over a month for a tax that is incomprehensible to most, and certainly one for which few have budgeted. To comply with the law and calculate their taxes, nonprofits right now are in the process of applying a four-step calculus for determining how much of their parking lots generate tax liability. For some, the tax will be crippling. For many others, the cost of hiring accountants and lawyers to determine whether and how much they owe in unrelated business income taxes will be more than their actual tax payments. In urban areas, the application of the tax on subway and bus passes likely will force many organizations to scale back or eliminate the employee benefit.

As a result of this tax, nonprofit employees and the people the organizations serve will suffer the consequences as hundreds of thousands of nonprofits are forced to divert scarce resources away from mission to pay this unjust tax.

Section 512(a)(7) is terrible tax policy that has no support in the House or the Senate for retaining it. Late last year, the House, which originated the tax in the first place, voted to repeal it as Section 505 of the [year-end tax bill](#). Bills in the House this Congress, [HR 1223](#) by House Majority Whip Clyburn (D-SC) and [HR 513](#) by Representative Conaway (R-TX), would repeal the transportation tax for nonprofit organizations. The LIFT for Charities Act provides the clear Senate statement that repeal is the best policy option.

Senator Feinstein, there is absolutely no dispute, partisan or otherwise, that repealing Internal Revenue Code Section 512(a)(7) is urgently needed for the sake of our communities, your constituents, and the well-being of the country. On behalf of the charitable nonprofits in California and in conjunction with charities, houses of worship, and foundations throughout the United States, we ask you to co-sponsor S. 632 and thereby send a clear signal that you and the Senate are standing with the organizations upon which all of your constituents rely.

Sincerely,

A handwritten signature in black ink, appearing to read "Jan Masaoka", with a long horizontal flourish extending to the right.

Jan Masaoka,
CEO, California Association of Nonprofits

March 8, 2019

The Honorable Kamala Harris
United States Senate
Washington, DC 20510

RE: Request to Cosponsor S. 632, the “LIFT for Charities Act,”
Repealing the Tax on Nonprofit Transportation Benefits

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