Independent Sector urges Congress:
- Repeal sections 512(a)(6) and 512(a)(7) of the tax code, which increase taxes on nonprofit organizations.

For over 60 years, UBIT has been a tax on certain income brought in by charities. Applying UBIT to an expenditure, like transportation benefits, is a gross misapplication of the law’s purpose.

Diverting charitable funds into federal coffers through these two provisions creates profound financial and administrative burdens on charities and the people they serve.

- The country’s 3rd largest employment sector, already facing a negative impact on charitable giving, also must pay more in taxes.
- Small nonprofits that never engaged in unrelated business activity may be required to pay UBIT, because they offer employee parking or pre-tax transit benefits.
- Houses of worship, which have long been exempt from filing Form 990 with the IRS, may be required to file for the first time.
- For many nonprofits, transportation benefits are mandated by local law rather than an optional fringe benefit. They are now taxed on a locally mandated expense.

Survey research indicates that section 512(a)(6) will cost impacted organizations about $15,000 per year. Section 512(a)(7) will divert an average of about $12,000 per year away from organizations’ missions, with smaller organizations seeing a larger impact as a percentage of their budget.

These tax increases are a misguided diversion of charitable resources that should be repealed through any number of bills: H.R. 513 and S. 1282 would repeal both provisions, while H.R. 1223, H.R. 1545, S. 632, and S. 501, would repeal only the fringe benefit tax.