



June 26, 2018

# Bill Introduced to Repeal Unrelated Business Income Tax Rules for Exempt Organizations

HEALTH CARE, HIGHER EDUCATION, NOT-FOR-PROFIT, TAX  
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On June 7, Rep. K. Michael Conaway, R-Texas, introduced H.R. 6037, the Nonprofits Support Act that seeks to repeal two unrelated business income provisions enacted as part of the 2017 Tax Cuts and Jobs Act (TCJA). The bill consists of two sections: the first would repeal the requirement that unrelated business income must be calculated separately for each trade or business activity, while the second would repeal the increase of unrelated business income by certain disallowed fringe benefits. The bill has been referred to the House Committee on Ways and Means.

## *Separate Computation of Income*

The U.S. tax reform of 2017 resulted in changes for tax-exempt organizations that affect how much an organization engaged in unrelated business activities must pay in taxes, and possibly how the organization will be required to keep track of those activities.

Under the TCJA, a new section was added to the Internal Revenue Code that requires exempt organizations that have unrelated business income to report each activity separately. This means the organization will no longer be permitted to offset income from one activity with expenses of another, a change that will result in many organizations now having a tax liability for those activities generating net income.

The IRS has not yet provided guidance as to how to identify a separate trade or business; the Nonprofits Support Act would repeal the requirement to separately compute income for each trade or business.

## *Inclusion of Disallowed Fringe Benefits*

The TCJA also added a provision that requires exempt organizations to treat certain fringe benefits like employer-provided parking and transit passes as unrelated business taxable income unless the organization treats the benefit as taxable compensation to the employee. The Nonprofits Support Act would also repeal this requirement.

Schneider Downs continues to monitor current developments concerning tax issues affecting exempt organizations. Please contact your Schneider Downs representative with any questions.

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