The following is an update from AFP International with respect to national government relations issues and activities that may be of interest to you. This is the first one of these they have sent in a while, so we thought we would share the entire message with you. If you have any questions, or want to know how you can participate in the local Capital Chapter, Government Relations committee, please contact John at iradamsjr0204@gmail.com Thank you!

1. **Universal Charitable Deduction**

AFP continues to push for the enactment of the universal charitable deduction, which is our key public policy priority for 2019. The universal charitable deduction would allow donors to deduct charitable donations from their taxable income, regardless of whether they itemized their taxes.

The deduction has been given more impetus since the release of Giving USA 2019, which showed a 3.4 percent drop in giving by individuals in 2018. While more research is needed, it is likely that some of the drop is attributable to the 2017 tax law, which doubled the standard deduction, making it more likely that taxpayers would not itemize their taxes and take advantage of the charitable deduction.

The Charitable Giving Coalition, co-chaired by AFP, distributed a statement talking about how the recent Giving USA numbers for 2018 point to the need for a universal charitable deduction. Chapters can make use of the latest data in their letters to local Members of Congress.

AFP is encouraging chapters to urge their local U.S. Representative(s) to sponsor H.R. 1260 which would create a universal charitable deduction.

2. **UBIT on Nonprofit Transportation Benefits**

The House Ways and Means Committee has approved a provision that would eliminate a law that requires some tax-exempt organizations to pay unrelated business income tax (UBIT) on employee benefits, like parking, meals and transportation benefits.

The transportation fringe benefit tax has been a source of concern of charities since it was enacted into law as part of the comprehensive tax bill in late 2017. AFP opposed this provision in 2017 during the tax reform debate and has urged lawmakers to repeal it.

The provision is part of H.R. 3300, the Economic Mobility Act of 2019, and is likely to pass the House of Representatives. Action on the Senate side is unclear at this point, but the provision has garnered support from both Republicans and Democrats.

Research from Independent Sector found that the transportation fringe benefit tax will divert nearly $12,000 away from the average nonprofit organization’s mission.

Chapter Action: No action is needed at this point as the provision will likely move only as part of larger legislation and has bi-partisan support at this point. Chapters are encouraged to work on the universal charitable deduction for the moment, and AFP will inform government relations chairs if action is needed on this issue.
3. Nonprofit Relief Act

Representative Carolyn B. Maloney (D-N.Y.) and Majority Whip James E. Clyburn (D-S.C.) today introduced the Nonprofit Relief Act of 2019 to repeal provisions of the 2017 tax law related to UBIT, the paid leave tax credit and volunteer mileage reimbursement.

The legislation would repeal the new tax that requires nonprofits to treat every unrelated business revenue stream as a separate “trade or business” that may not be aggregated with other profits and losses in calculating tax liabilities. The bill also extends the paid leave tax credit to tax-exempt organizations and changes the tax treatment of mileage reimbursements to volunteers, so they are not subject to federal and state income taxes.

“Silo” Unrelated Business Income Tax (UBIT): The Nonprofit Relief Act repeals Section 512(a)(6) of the Internal Revenue Code that prevents nonprofits from aggregating profits and losses of unrelated businesses. For-profit businesses can use losses in one business unit to cancel out profits in another, thereby reducing their tax bills. In contrast, nonprofits are forced to break down their expenses and revenues into separate silos for each “trade or business.” As a result, nonprofits must pay 21 cents on every dollar of net income brought in through alternative means, such as gift shops, even if they suffer losses on other ventures.

Paid Leave Tax Credit: Through an oversight, the 2017 tax law failed to extend the paid leave tax credit to tax-exempt organizations. The Nonprofit Relief Act corrects this by allowing these organizations to apply the credit to payroll taxes. Internal Revenue Code Section 45S provides a tax credit for employers who provide paid family and medical leave to their employees. An eligible employer may claim a 12.5 percent income tax credit if it covers 50 percent of an employee’s salary when taking family and medical leave -- the income credit increases to 25 percent for covering 100 percent of the salary. The Nonprofit Relief Act enables nonprofit employers and employees to benefit from the 2017 tax policy.

Volunteer Mileage Reimbursement: Under current law, employees of nonprofit and for-profit entities may be reimbursed for the work-related use of their vehicles at the standard business rate (currently 58 cents per mile) with no tax consequence to the individual. However, volunteers may only deduct their mileage at 14 cents per mile. Furthermore, in an instance when nonprofits reimburse volunteers for their mileage, current tax law treats every penny above the 14¢ volunteer mileage rate as taxable income. The Nonprofit Relief Act corrects this unfair treatment, making any mileage reimbursement to volunteers nontaxable up to 58 cents per mile.

Chapter Action: No action is needed at this point. AFP is monitoring the bill and will alert chapters if the situation changes.

4. Mandatory Electronic For 990 Filing

Congress has approved a bill, H.R. 1957, the Taxpayer First Act, that would require most charities and nonprofits to file their Form 990 electronically. The provision is part of a series of proposals in the bill designed to make the Internal Revenue Service more “taxpayer-friendly.”

The bill now heads to the White House, where President Trump is expected to sign the bill given its strong bi-partisan support. If signed, the bill would take effect starting in 2020.
Under the bill, forms would need to be submitted in an electronic format that is easily searchable. Nonprofits with annual revenue of less than $200,000 and assets of less than $500,000 may ask the Treasury Department for a two-year delay if filing electronically would create an "undue burden."

Chapter Action: AFP will let members know if and when the bill is signed into law and will create a short fact sheet to share with members.