



March 8, 2019

The Honorable Elizabeth Warren  
United States Senate  
317 Hart Senate Office Building  
Washington, DC 20510

Dear Senator Warren:

On behalf of the community-based human services sector and nonprofit community in Massachusetts, 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 Providers’ Council is the state’s largest association of community-based human services organizations that provide essential supports to one-in-ten Massachusetts residents.

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.

We ask 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.

Further, the human services sector is a major segment of the overall nonprofit sector. Human services organizations in Massachusetts have a significant shortage of workers to fill more than 180,000 jobs in this field, and these relatively low-paid jobs are experiencing high rates of turnover and numerous vacancies. This 21 percent unrelated business income tax only makes the situation in Massachusetts’ community-based human services sector more difficult.

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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 Warren, there is relatively little 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 community-based human services organizations and other charitable nonprofits here in Massachusetts – 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.

Thank you for your consideration of this request, and we look forward to hearing that you will co-sponsor this critical legislation. I would be happy to convene a group of human services organizations to speak with you about this at your convenience.

Sincerely yours,

A handwritten signature in cursive script that reads "Michael Weekes".

Michael Weekes  
President/CEO  
Providers' Council