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Federal Tax Bulletin: Retroactive Repeal of the ‘Parking Tax’ for Tax-Exempt Employers

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CLIENT ALERT | 1.21.2020

As part of general federal tax reform in 2017, Congress enacted a provision that required tax-exempt organizations to pay tax on certain amounts paid or incurred for employee parking (the Parking Tax). This provision was sharply criticized since its enactment, and resulted in many organizations changing their policies or reporting unrelated business taxable income (UBTI) on Form 990-T for the first time. We have previously written about the complexities of the Parking Tax and the related rules applicable to for-profit and tax-exempt employers [here](#).

On December 20, 2019, perhaps as a holiday gift to tax-exempt employers, Congress retroactively repealed the Parking Tax. The repeal of the Parking Tax is effective as of the date of its original 2017 enactment, which means that Congress has effectively erased this burdensome provision. Because the repeal is fully retroactive, organizations that included employee-parking expenses as UBTI on Form 990-T may now request a refund of any Parking Tax paid on such UBTI. Additionally, some organizations may have changed their employee parking policies and/or parking facilities as a way to avoid or reduce the Parking Tax—for example, by removing signage for employee-only parking. With the repeal now in effect, these organizations may want to reassess such changes.

Unfortunately, the complex rules regarding the deductibility of parking expenses paid or incurred by for profit employers remain in effect.

If you have any questions about the repeal of the Parking Tax or the deductibility of parking related-expenses by for-profit employers, please contact your Vorys attorney.