June XX, 2025

The Honorable Mike Crapo
Chairman
Senate Committee on Finance
239 Dirksen Senate Office Building
100 Constitution Avenue, NE,
Washington, DC 20510-1205

The Honorable Ron Wyden
Ranking Member
Senate Committee on Finance
221 Dirksen Senate Office Building
100 Constitution Avenue, NE,
Washington, DC 20510-3703

The Community Impact Coalition is committed to ensuring lawmakers understand the value of 501(c) organizations and advocating against proposals that would eliminate their tax-exempt status or divert resources away from their missions through additional taxation. The Community Impact Coalition is currently supported by a group of over 100 nationwide nonprofit groups to safeguard the ability of tax-exempt organizations to continue fulfilling their essential missions.

The charities, associations, and professional societies comprising the coalition are granted tax-exempt status by the IRS to encourage and support activities that benefit the public good and promote societal well-being. Their tax-exempt status strengthens lives by providing services and responding in countless ways where the government or for-profit businesses cannot fill vital gaps and address urgent community needs.

According to an April 2025 Cygnal poll, 82 percent of voters find tax-exempt status important for nonprofits to effectively serve their communities.

The U.S. House of Representatives has been persistent in passing legislation that addresses the tax hike that everyday Americans will face at the end of the year unless Congress acts. We applaud the chamber’s effort and the around-the-clock work that went into this bill being passed out of the House on May 22.

The Community Impact Coalition appreciates that the House-passed bill recognizes the value of nonprofit organizations by preserving the current tax treatment of these organizations in most instances. We encourage members of the House and Senate to continue to preserve the ability of nonprofit organizations to drive their revenues toward their missions by opposing increased tax burden on nonprofits as this bill is finalized.

One provision in the House-passed bill (Sec. 112024) would divert resources from the nonprofit sector by expanding Unrelated Business Taxable Income (UBI) to include parking and transportation fringe benefits. **This provision was first introduced in the 2017 Tax Cuts and Jobs Act and was later repealed on a bipartisan basis because of the widespread impact this would have on nonprofit organizations.**

This provision, which includes an exception for churches and some religious organizations, is problematic for several reasons. First, the provision is costly for nonprofit organizations. The Joint Committee on Taxation estimates that this provision will take $2.69 billion from nonprofit organizations in the form of increased taxation between 2025 and 2034.[1] This amounts to billions in nonprofit resources diverted from their missions and the community support they provide.

This provision also creates a significant administrative burden on nonprofit organizations that must calculate the value of transportation and parking benefits to estimate their tax burden. The previously enacted – and then later repealed – version of this proposal required organizations to undergo a confusing, multistep process to calculate the value of parking assets as part of determining their tax liability.[2]

A survey of Independent Sector members demonstrated significant confusion among nonprofit organizations about whether policy changes applied to their organizations and how organizations would be expected to comply with these requirements.[3] Initial IRS guidance did little to ease confusion about how to comply with this tax.

The proposal also treats an employee benefit as though it were income, rather than an organization's expense on behalf of its employees. **While the goal of the parking and transportation provision may be to create parity among nonprofit organizations and for-profit businesses, there is a fundamental difference between denying a deduction for business income that will otherwise go to for-profit shareholders and levying a tax on charities and associations providing essential services and programs to communities.** For-profit entities may no longer deduct parking and fringe benefits, but they are not charged a 21 percent tax on costs incurred to support their employees.

The above Cygnal poll found 55 percent of voters believe the government should be responsible for providing services that nonprofits would no longer be able to provide if taxed.

If nonprofit resources are taxed, many critical service providers — like veterans and disaster relief organizations, food banks, and educational programs — could be forced to raise fees or cut services.

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[1] Joint Committee on Taxation, "Estimated Revenue Effects Of Provisions To Provide For Reconciliation Of The Fiscal Year 2025 Budget," JCX-22-25R, May 13, 2025, available at: https://www.jct.gov/publications/2025/jcx-22-25r/

[2] Internal Revenue Service, "Parking Expenses for Qualified Transportation Fringes Under § 274(a)(4) and § 512(a)(7) of the Internal Revenue Code.," Notice 2018-99, available at: https://www.irs.gov/pub/irs-drop/n-18-99.pdf

[3] Boris, Elizabeth and Cordes, Joseph, "How the TCJA's New UBIT Provisions Will Affect Nonprofits," Urban Institute, January 2019, available at: https://independentsector.org/wp-content/uploads/2019/01/How-the-TCJAs-New-UBIT-Provisions-Will-Affect-Nonprofits.pdf

Additionally, it would weaken effective efforts to modernize and streamline workforce training programs and credentialing, set industry safety standards, and support economic stability. That means higher costs for workers, families, and businesses.

This challenge goes beyond associations—it strikes at the core of the industries, professions, and communities we serve. Nonprofits uniquely leverage their expertise to solve complex challenges that would otherwise fall to the government, reinvesting revenues directly into their missions to drive lasting impact across society.

The Community Impact Coalition is committed to ensuring federal tax policy recognizes the tax-exempt sector's value through proposals that support its ability to carry out its important and mission-driven work—and strongly encourages reconsideration of policies that tap the sector's resources for federal tax revenues.

We will continue to work with Congress to ensure that tax policy continues to support an effective, efficient, and independent civil society.

Sincerely,

Steve Caldeira
Co-Chair, Community Impact Coalition
President and CEO
Household & Commercial Products Association

Marc Cadin
Co-Chair, Community Impact Coalition
CEO
FINSECA

On behalf of the undersigned organizations:

[LIST OF SIGN ON ORGANIZATIONS]