## **Nonprofit Parking Tax Flowchart Tool**

## **GENERAL NOTES FOR USING THE FLOWCHART TOOL** The chart is intended to be applied on a per location basis. For this purpose, "location" refers to a single geographic location. Multiple parking facilities in a single location may be aggregated for this analysis. Organizations with parking facilities in multiple geographic locations must perform an analysis for each location and then add all taxable amounts from each location together Numbers in the boxes below are strictly for reference purposes. The boxes are not numbered sequentially and users should follow the path for the scenario that is applicable to their organization We recommend that this flowchart tool be used in conjunction with our article on the nonprofit parking tax located here. If the nonprofit parking tax is deemed applicable to your organization, the total costs subject to the tax would generally be the taxable amount reported on Form 990-T, Line 34. To stay up to date on the nonprofit parking tax go to $\underline{www.nonprofitparkingtax.com}$ However, if the total amount subject to the nonprofit parking tax is less than \$1,000 and your organization does not otherwise conduct any unrelated business activities, your organization would generally not be required to file Form 990-T. BMWL If your organization currently files a Form 990-T in connection with other unrelated business activities, your organization should consult with its tax counsel regarding the impact of the nonprofit parking tax on your organization's tax liability. Boxes in this color reflect scenarios where the organization may be subject to the nonprofit parking tax. (1) How do you provide parking to your employees? (27) The organization should consu with knowledgeable tax counsel regarding the applicability of the nonprofit parking tax to the organization's employee parking. ) Scenario 1: Pay a third arty for specific employee Only A combination (6) Step A: Determine the total cost of employee parking paid to the third party during the tax year (but only from January 1,2018 forward for the first tax year). (25) Follow Scenario 1 with respect to the employee parking provided by paying third parties for specific parking spots. Follow Scenario 2 with respect to employee parking provided via parking facilities owned or leased by the organization. (26) Determine the taxable amount (if any) from other locations and add to determine the total taxable amount. (10) Does the organization provide reserved parking to its employees (e.g., parking areas with "employee-only" signage or employee-only access)? 7) Step B: Determine the The organization should add the Scenario 1 and Scenario 2 costs subject to the nonprofit parking tax, if any. The resulting amount would be reported on Line 34 of Form 990-T. to employees, if any (see footnotes). (22) All spaces are served or restricted fo (23) The organization's "total parking expenses" (see footnotes) less any employee parking benefits treated as taxable compensation (see footnotes) would generally be the taxable amount reported on Line 34 of Form 990-T. Although the organization has the opportunity to remove its reserved employee parking by March 31, 2019 (see more info in Box 16), assuming the parking facility would continue to be used exclusively by employees, the tax treatment would not be impacted by removal of the reserved employee parking. (11) Although no spaces are reserved or restricted for reserved or restricted for employees, on a typical day of the organization's operations (see footnotes) is the primary use of the parking spaces (more than 50%) to provide parking to the organization's employees and (9) Determine the taxable amount (if any) from other locations and add to determine the total taxable amount. (24) Determine the taxable amount (if any) from other locations and add to determine the total taxable amount. employees and independent contractors? Yes (16) For the reserved spaces: Multiply the "total parking expenses" (see footnotes) by the ratio of reserved employee spaces to the total parking spaces. This is the taxable amount that would generally be reported on Line 34 of the Form 990-T (together with any additional amount allocated to the unreserved spaces used by employees depending upon further analysis and related conclusions in Boxes 18 or 20). (12) The organization ld not generally be subject (13) Multiply the "total parking expenses" (see footnotes) by the ratio of spaces used by employees to the total parking spaces. This amount (less any employee parking benefits treated as taxable compensation - see footnotes) would be the taxable amount reported on Line 34 of Form 990-T. (17) For the unreserved spaces: On a typical day of the organization's operations (see footnotes), is the primary use (more than 50%) of the remaining spaces to provide parking for employees and independent contractors? The organization has the opportunity to remove its reserved imployee parking by March 31, 2019 and be treated as having provided no reserved parking retroactively to January 1, 2018. Depending upon the organization's specific fact pattern, this could potentially be beneficial to the organization. The organization should consult with knowledgeable tax counsel to determine whether reducing or eliminating employee reserved parking would reduce the organization's tax liability. (14) Determine the taxable amount (if any) from other locations and add to determine the total taxable amount. No **FOOTNOTES** (18) Multiply the "total parking expenses" (see footnotes; by the ratio of unreserved parking used by employees to the total parking spaces. The resulting amount is added to the expenses allocable to reserved employee parking (calculated in Box 16). Subtract from this amount any employee parking benefits treated as taxable compensation (see footnotes). The resulting taxable amount is reported on Line 34 of Form 990-T. (20) Generally, none of the costs allocable to the <u>unreserved</u> spaces would be subject to the nonprofit parking tax. However, consider the tax implications related to the reserved parking as calculated in Box 16. The amount in Box 16 (less any employee parking benefits treated as taxable compensation -'Parking facility" includes indoor and outdoor garages and other structures, as well as parking lots and other areas, where employees may park on or near the business premises of the employer or on or near a location from which the employee's residence). Parking benefits treated as compensation - In certain scenarios, the <u>VALUE</u> of parking benefits exceeding a certain threshold (\$260 per month per employee for 2018) is treated as taxable compensation to employees. See IRS Notice 94-3 for additional guidance on how to determine the value of parking benefits provided to employees. Generally, parking provided in locations where there is not normally a charge for parking in the surrounding area would not be considered to have "value" for this purpose. Note that the IRS guidance is not clear on whether the nonprofit parking taxable amount should be reduced by the parking benefits treated as taxable compensation in scenarios where the nonprofit is not paying a third party for employee parking. However, based on the available guidance included in IRS Notice 2018-99, it is reasonable to assume that such a reduction is appropriate. see footnotes) is the taxable amount reported on Line 34 of Form 990-T. from other locations and add to determine the total taxable amount. from other locations and add to determine the total taxable amount. "Total parking expenses" include, but are not limited to, the portion of the following costs allocable to the organization's parking facilities that were paid or incurred from January 1, 2018 forward: rent or lease payments, repairs, maintenance, utility costs, insurance, property taxes, interest, snow and ice removal, leaf removal, trash removal, cleaning, landscape costs, parking lot attendant expenses, security, and other similar costs related to the organization's parking facilities. Total parking expenses do NOT include depreciation. A nonprofit may use any reasonable method to allocate the expenses described above to its parking facilities. Expenses paid for items not located on or in the parking facilities, including items related to property next to the parking facilities, such as landscaping or lighting are not included.

Updated December 14, 2018

The contents of this publication do not constitute legal, financial, accounting, tax, or any other type of professional advice. For professional advice regarding the subject matter addressed herein, the services of a competent professional should be obtained.

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"Typical day" - For purposes of this analysis, evaluate the use of the parking during the normal hours of the organization's activities on a typical day. If usage of the parking varies significantly between days of the week or times of the year, any reasonable method may be used to determine the average or actual estimated usage. Non-reserved spots that are available to the general public but are empty during normal hours of the organization's activities on a typical day are treated as being provided to the general public (not employees).