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**PRODUCT & SERVICE GUIDE**

# How the New Tax Laws Affect Tax Exempt Organizations

The Internal Revenue Service says it wants tax-exempt organizations to know about recent tax law changes that might affect them. The Taxpayer Certainty and Disaster Tax Relief Act, passed on Dec. 20, 2019, includes several provisions that may apply to

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Jan. 29, 2020

Form <b>990</b>	<b>Return of Organization Exempt From Income Tax</b>			
Department of the Treasury Internal Revenue Service	Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)			
▶ The organization may have to use a copy of this return to satisfy state reporting requirements.				
<b>A</b> For the 2005 calendar year, or tax year beginning _____, 2005, and ending _____				
<b>B</b> Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	Please use IRS label or print or type. See Specific Instructions.	<b>C</b> Name of organization		<b>D</b> Employer identification number :
		Number and street (or P.O. box if mail is not delivered to street address) Room/suite		<b>E</b> Telephone number ( )
		City or town, state or country, and ZIP + 4		<b>F</b> Accounting method: <input type="checkbox"/> Other (specify)
<b>G</b> Website: ▶		• Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).		<b>H and I are not applicable to section 527.</b> <b>H(a)</b> Is this a group return for affiliates? <b>H(b)</b> If "Yes," enter number of affiliates. <b>H(c)</b> Are all affiliates included? (If "No," attach a list. See instructions.) <b>H(d)</b> Is this a separate return filed by an organization covered by a group return?
<b>J</b> Organization type (check only one) ▶ <input type="checkbox"/> 501(c) ( ) ◀ (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527				
<b>K</b> Check here ▶ <input type="checkbox"/> if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if the organization chooses to file a return, be				

The Internal Revenue Service says it wants tax-exempt organizations to know about recent tax law changes that might affect them. The Taxpayer Certainty and Disaster Tax Relief Act, passed on Dec. 20, 2019, includes several provisions that may apply to tax-exempt organizations' current and previous tax years.

**Repeal of 'parking lot tax' on exempt employers** This legislation retroactively repealed the increase in unrelated business taxable income by amounts paid or incurred for certain fringe benefits for which a deduction is not allowed, most notably qualified transportation fringes such as employer-provided parking. Previously, Congress had enacted this provision as part of the Tax Cuts and Jobs Act, effective for amounts paid or incurred after Dec. 31, 2017.

Tax-exempt organizations that paid unrelated business income tax on expenses for qualified transportation fringe benefits, including employee parking, may claim a refund. To do so, they should file an amended Form 990-T within the time allowed for refunds. More information on this process can be found at [IRS.gov](https://www.irs.gov).

**Tax simplification for private foundations** The legislation reduced the 2% excise tax on net investment income of private foundations to 1.39%. At the same time, the legislation repealed the 1% special rate that applied if the private foundation met certain distribution requirements.

The changes are effective for taxable years beginning after Dec. 20, 2019.

**Exclusion of certain government grants by exempt utility co-ops** Generally, a section 501(c)(12) organization must receive 85% or more of its income from members to maintain exemption.

Under changes enacted as part of the Tax Cuts and Jobs Act, government grants are usually considered income and would otherwise be treated as non-member income for telephone and electric cooperatives. Under prior law, government grants were generally not treated as income, but as contributions to capital.

The 2019 legislation provided that certain government grants made to tax-exempt 501(c)(12) telephone or electric cooperatives for purposes of disaster relief, or for utility facilities or services, are not considered when applying the 85%-member income test. Since these government grants are excluded from the income test, exempt telephone or electric co-ops may accept these grants without the grant impacting their tax-exemption.

This legislation is retroactive to taxable years beginning after 2017.

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