

The following is not intended to be tax advice and should not be interpreted as such. The Coalition for Smarter Transportation does not provide tax advice. We strongly advise entities to contact their tax attorney's before making decisions. This document is intended to be a guide in helping organizations gain a better understanding of the nuances of the bicycle benefit.

The following only applies to tax-exempt organizations. A separate write-up will be developed for employers that are for-profit.



Determining Whether UBTI Applies to Bicycle Benefits for Tax-Exempt Org

Following the recently passed tax reform legislation, the bicycle benefit has been eliminated from the list of eligible transportation fringe benefits until 2026. However, private sector employers who spend money on bicycle benefits eligible under section 132(f) may continue to deduct those expenses from the corporate tax liabilities. (This differs from other commute related expenses such as transit and parking – which may not be deducted.)

At the same time, Congress has passed a policy that states tax-exempt organizations that provide parking or transportation fringe benefits under section 132(f) must add the value of that benefit to the amount that is subject to the unrelated business taxable income (UBTI), essentially levying at 20% tax on parking and all transportation fringe benefits. What is unclear is if that UBTI is also applied to tax exempt organizations who subsidize bicycle benefits. Below is the language in the section of law related to UBTI. It clearly references qualified fringes in section 132(f), but since the qualified fringe for bicycle benefits has been suspended, there is some legal question as to if it is subject to UBTI.

Unrelated business taxable income of an organization shall be increased by any amount for which a deduction is not allowable under this chapter by reason of section 274 and which is paid or incurred by such organization for any qualified transportation fringe (as defined in section 132(f)), any parking facility used in connection with qualified parking (as defined in section 132(f)(5)(C)), or any on-premises athletic facility (as defined in section 132(j)(4)(B)).

The Coalition for Smarter Transportation has requested clarification from the Department of Treasury and the Internal Revenue Service.


Coalition for
SMARTER TRANSPORTATION

Website: www.smartertransportation.org

Phone: 202-285-6414

Email: Jason@SmarterTransportation.org