

March 1, 2019

The Honorable Richard Neal
Chairman
Committee on Ways and Means
United States House of Representatives
2309 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Kevin Brady
Ranking Member
Committee on Ways and Means
United States House of Representatives
1011 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Neal and Ranking Member Brady,

The Tax Cuts and Jobs Act of 2017 included a little-noticed provision, Section 512(a)(7), that requires houses of worship and nonprofit organizations to pay taxes on the cost of their parking lots and transit benefits provided to employees. We are concerned about the troubling precedent this sets by entangling the IRS with houses of worship.

This provision effectively creates an income tax on churches for the first time in U.S. history, according to Michael Martin, J.D., CPA of the Evangelical Council for Financial Accountability. In the opening paragraph of his paper, “Should the government be in the business of taxing churches?” published in *Regent University Law Review*, Martin states, “Throughout our entire history as a nation, the United States has never imposed a federal income tax on churches.” Martin explains this longstanding policy as representative of “the separate spheres of sovereignty of church and state in America.”

On December 10, 2018, the Treasury Department issued guidance (IRS Notice 2018-99) regarding Section 512(a)(7) which offered some relief. However, the Treasury guidance is cumbersome in requiring a four-step process to determine the amount of tax owed, which could likely vary month to month. Houses of worship and nonprofits should not be faced with this type of administrative burden. While we are grateful for Treasury’s guidance, we continue to urge Congress to pass a full legislative repeal.

Over the next few weeks, houses of worship and nonprofits will begin filing 990-Ts and paying income tax on parking and transit benefits. These organizations of goodwill exist to serve the needs of their local communities. Tax experts predict this new tax will extract nearly \$1.7 billion in taxes from the charitable sector over ten years. The amount extracted is likely to grow as houses of worship and nonprofits are forced to shift resources from serving their charitable mission to dealing with paying this burdensome federal tax.

We urge Congress to swiftly pass a bipartisan, full repeal of Section 512(a)(7) before taxes are due this year.

Thank you for your commitment to ensuring that the United States continues to have a thriving and vibrant spectrum of civil society organizations and healthy and independent houses of worship.

We look forward to working with you on this needed change to the Tax Cuts and Jobs Act before tax season this year.

Respectfully,

Russell Moore
President
Southern Baptist Ethics &
Religious Liberty Commission

William C. Daroff
Senior Vice President for Public Policy &
Director of the Washington Office
The Jewish Federations of North America

Chris Palusky
President and CEO
Bethany Christian Services

Leith Anderson
President
National Association of Evangelicals

James F. Sanft
Chair
Church Alliance

Daniel R. Jackson
President
Seventh-day Adventist Church
North American Division

Shirley V. Hoogstra, J.D.
President
Council for Christian Colleges &
Universities

Nathan Diament
Executive Director for Public Policy
Union of Orthodox Jewish Congregations
of America

Rebecca Linder Blachly
Director, Office of Government Relations
The Episcopal Church

Most Rev. Joseph E. Kurtz, D.D.
Archbishop of Louisville
Chairman, USCCB Committee for
Religious Liberty

Dan Busby
President
Evangelical Council for Financial
Accountability

Most Rev. Frank J. Dewane
Bishop of Venice
Chairman, USCCB Committee on Domestic
Justice and Human Development