Religious Action Center of Reform Judaism

RABBI JONAH DOV PESNER, *Director*
ISABEL P. (LIZ) DUNST, *Chair, Commission on Social Action of Reform Judaism*

Arthur and Sara Jo Kobacker Building
2027 Massachusetts Avenue, NW, at Kivie Kaplan Way, Washington, DC 20036

(202) 387-2800 @theRAC www.rac.org

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Dear Senator:

On behalf of the Union for Reform Judaism, whose 900 congregations across North America include 1.5 million Reform Jews, and the Central Conference of Americans Rabbis, whose membership includes more than 2,000 Reform rabbis, I urge you to support legislative repeal of Internal Revenue Code Section 512(a)(7) at the end of this year or as soon as possible in January 2019.

Section 512(a)(7) is a new unrelated business income tax (UBIT) provision that was included in the Tax Cuts and Jobs Act of 2017. This provision requires previously tax-exempt houses of worship to file a Form 990-T tax return and pay a new 21 percent tax on qualified transportation fringe (QTF) benefits provided to employees. Such transportation benefits may take the form of employer-owned and operated parking lots, parking passes for third party-facilities, and transit cards. This tax affects a variety of Jewish entities across the Reform Movement, including but not limited to synagogues, pre-schools and day schools, summer camps, and denominational offices.

The UBIT creates significant regulatory and financial burdens on synagogues and affiliated institutions. While other non-profits have long filed 990s, including 990-Ts, and are staffed and resourced around being able to do so, because houses of worship have traditionally been tax-exempt and do not file 990s, for many of them, particularly our smaller synagogues, filing even the 990-T reports may significantly stress their capabilities. This is exacerbated by the complexity of the interim guidance released by the Department of Treasury and the Internal Revenue Service in early December 2018, which will likely require outside legal guidance for such synagogues. The requirement to file a 990-T report would create administrative hardships as well as increased costs. Furthermore, synagogues and affiliates would be forced to set aside portions of their already stretched budgets to cover new UBIT liabilities, siphoning these entities' limited resources away from their non-profit religious missions. (A similar concern affects all non-profits, of course.) In our smallest synagogues with just a few staff

and usually not as well paid, the extra costs could mean losing a staff person – and this includes the many synagogues that have scrupulously avoided activities triggering UBIT precisely because of the administrative and cost burden.

Section 512(a)(7) also raises significant concerns regarding separation of church and state. This tax represents an unnecessary government entanglement with religious institutions. Non-profits, including religious non-profits, have paid UBIT for expenses unrelated to their core mission, yet parking and transportation benefits are expenses directly related, indeed critical, to facilitating the religious mission of houses of worship. These benefits play a direct role in allowing clergy and staff to provide pastoral care, lead services, maintain facility operations, and run educational programming, all of which contribute to vibrant civic life. Transportation and parking benefits are not unrelated expenses and should not be subject to UBIT.

This issue requires urgent resolution to alleviate administrative and financial burdens on Reform Jewish institutions and prevent excessive government intrusion into religion. I am encouraged that a repeal of Section 512(a)(7) has been included in stand-alone legislation such as Senator Lankford's LIFT for Charities Act (S. 3332) and Senator Cruz's Protect Charities and Houses of Worship Act (S. 3317), as well as in House Ways & Means Committee Chairman Kevin Brady's manager's amendment to H.R. 88. I respectfully ask you to please include a similar repeal of Section 512(a)(7) as part of a year-end legislative package or as soon as possible in January.

Sincerely,

Rabbi Jonah Dov Pesner
Director of the Religious Action Center of Reform Judaism