Tax Reform and Your Nonprofit

Prepared for
Florida Alliance of Community Development Corporations 2018 Summit

October 25, 2018

Presented by
Byron Smith
CPA, ABV, PFS
Shareholder, Tax Services
bsmith@gsscpa.com
Effect on Nonprofits

Corporate Tax Rate Reduced

35% to 21%
Effect on Nonprofits

Trust Tax Rates Reduced.

Top Rate starts at $12,501 of taxable income.

<table>
<thead>
<tr>
<th>Tax Rate</th>
<th>Thresholds</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>$0 - $2,550</td>
</tr>
<tr>
<td>24%</td>
<td>$2,551 - $9,150</td>
</tr>
<tr>
<td>35%</td>
<td>$9,151 - $12,500</td>
</tr>
<tr>
<td>37%</td>
<td>Over $12,500</td>
</tr>
</tbody>
</table>
UBTI On Certain Fringe Benefits

• Qualified transportation benefits, parking, or use of athletic facility are taxable as unrelated business income provided they are not deductible under Section 274.

• Expenses that qualify under Section 274:
  • Qualified Transportation expenses if they exceed $175 per month
  • Any activity which is generally considered to be entertainment, amusement, recreation or use of a facility
  • Dues or fees to a social, athletic or sporting club is use of a facility.
UBTI On Certain Fringe Benefits

How do these expenses effect UBTI?

• **Answer**: If no UBTI before, you do now, maybe…. Not truly defined. Per IRC Reg. Sections 132(j)(4)(B) – an Athletic Facility must be located on the premises of the employer, operated by the employer, and used with substantial exclusivity, by the employer’s employees, their spouses and their dependent children. May only apply to highly compensated, not rank and file. If used for income producing activity, then no. Waiting for guidance in regulations.
UBTI On Certain Fringe Benefits

• If have UBTI, then reduce expenses, if applicable.
• What happens if you have net operating losses prior to 2017?
  • They can offset.
• What happens if you do not have any UBTI?
UBTI On Certain Fringe Benefits

• Moving Expenses are no longer allowed as a deduction and reimbursement of moving expenses is no longer allowed to be reimbursed.

• How do you treat for employees that you pay for reimbursement for fees?
Net Operating Losses from Business Activities

Net operating loss from one business activity of a nonprofit may not be used to offset the income from another business activity.

You must compute income and losses from each activity separately and tax computed and remitted on each business activity alone.
Net Operating Losses from Business Activities

• Trade or business activity has not been defined as of to date. We don’t know how broad or narrow these definitions will be.

**RELIEF!!!!**

• Any net operating losses created prior to January 1, 2018 are not subject to these allocations.
QUESTIONS
Presents

Tax Reform and Your Nonprofit

Prepared for
Florida Alliance of Community Development Corporations 2018 Summit

October 25, 2018

Presented by
Byron Smith
CPA, ABV, PFS
Shareholder, Tax Services
bsmith@gsscpa.com