



Lessening Impediments from Taxes (LIFT) for Charities Act—Issue Brief

BACKGROUND:

The LIFT for Charities Act was introduced as a response to recent changes in the tax code that would require churches to pay a 21% tax on certain benefits provided to employees, including parking, meals, on-site athletic facilities, and transportation. While the Tax Cuts and Jobs Act (TCJA) lowered taxes for many Americans, it also aimed to simplify exemptions. Nonprofit organizations and churches have long enjoyed federal tax exemptions for the work they do in their communities, but one unfortunate consequence of the TCJA is a new requirement for nonprofit groups to pay some of the taxes that for-profit groups must pay.

Although the Internal Revenue Service has issued some guidance on how to calculate and determine what taxes churches need to pay, there is still much confusion about how the change in law will affect a particular ministry. Some churches in metropolitan areas, where parking is valued highly, might expect to pay more per employee than a rural church, but this is still uncertain. Efforts to repeal this section of the tax code failed at the last moment of the 115th Congress.

LEGISLATIVE ACTION:

Reintroduced in the 116th Congress by James Lankford (OK) and Chris Coons (DE) in the Senate and Mark Walker (NC) in the House, the LIFT for Charities Act simply reverses the change in tax law by repealing the provision that requires nonprofits and churches to pay taxes on fringe benefits offered to employees.

Nonprofit organizations differ from for-profit organizations fundamentally in that they serve the needs of a particular community regardless of the lack of ability the community has to offer anything substantial in return for the goods or services they provide. Forcing them to pay burdensome taxes on the benefits they offer their employees does not put nonprofit groups on a level playing field with for-profit groups; rather, it disadvantages the mission of nonprofits and churches; limits their ability to serve the community; and reduces their resources to provide comfort, instruction, and support to those who rely on their services.

Congress should repeal the burdensome tax on nonprofits and churches by passing the LIFT for Charities Act. As nonprofits, churches operate on limited budgets. By requiring churches to fill out IRS Form 990, which many churches are not currently required to fill out, the government will make the tax even more costly as many churches will need to hire help to decipher the tax code and calculate the tax owed. Additionally, a new tax on churches threatens the long-standing principle that the state should not be unnecessarily involved in church matters. Removing this tax will help protect the church's right to govern itself and perform its mission without the burden of government entanglement. Congress should pass the LIFT for Charities Act so that nonprofits and churches can continue the vital work they do to improve the lives of millions of Americans.

COSPONSORS:

H.R. 1545 has 32 cosponsors in the House, and S. 632 has 5 cosponsors in the Senate:

Rep. Duncan, Jeff [R-SC-3]	Rep. Moolenaar, John R. [R-MI-4]	Rep. Banks, Jim [R-IN-3]
Rep. Hice, Jody B. [R-GA-10]	Rep. Weber, Randy K., Sr. [R-TX-14]	Rep. Kelly, Trent [R-MS-1]
Rep. Gaetz, Matt [R-FL-1]	Rep. Johnson, Mike [R-LA-4]	Rep. Conaway, K. Michael [R-TX-11]
Rep. Lamborn, Doug [R-CO-5]	Rep. Byrne, Bradley [R-AL-1]	Rep. Babin, Brian [R-TX-36]
Rep. Suozzi, Thomas R. [D-NY-3]	Rep. Norman, Ralph [R-SC-5]	Rep. Rose, Max [D-NY-11]
Rep. Budd, Ted [R-NC-13]	Rep. Hartzler, Vicky [R-MO-4]	Rep. Brindisi, Anthony [D-NY-22]

Rep. Meng, Grace [D-NY-6]
Rep. Jordan, Jim [R-OH-4]
Rep. Slotkin, Elissa [D-MI-8]
Rep. Katko, John [R-NY-24]
Rep. McAdams, Ben [D-UH-4]
Rep. Roe, David P. [R-TN-1]
Rep. Rouda, Harley [D-CA-48]

Rep. Trone, David J. [D-MD-6]
Rep. Watkins, Steve [R-KS-2]
Rep. Upton, Fred [R-MI-6]
Rep. Van Drew, Jefferson [D-NJ-2]
Rep. Gianforte, Greg [R-MT-At Large]
Rep. Morelle, Joseph D. [D-NY-25]
Rep. Cole, Tom [R-OK-4]

Sen. Coons, Christopher A. [D-DE]
Sen. King, Angus S., Jr. [I-ME]
Sen. Collins, Susan M. [R-ME]
Sen. Hawley, Josh [R-MO]
Sen. Daines, Steve [R-MT]