

## Is your church required to pay the “Parking Lot Tax”?

IRS Notice 2018-99 provides guidance for implementing the unrelated business income tax on qualified transportation fringe benefits, including employer provided parking provided by nonprofit organizations, including churches.

To determine taxability when the church owns its general parking lot that is part of or adjacent to the church’s worship facilities, first determine:

- Total number of parking spaces
- Total number of spaces if any that are specifically reserved for the church employees (there is a sign “reserved” for pastor or other worker) and not available for the general public.
- Total number of employees at the church during the week and total number of employees at the church on the weekend.

If more than 50% of the parking spaces are used for employee parking then the church must pay unrelated business tax in qualifying expenses (expenses associated with the parking lot – repairs, maintenance, utilities, insurance, taxes, interest, snow, removal, lawn and landscaping, security, trash removal, rent payments. Etc.).

If the church has parking spaces reserved for employees, the expense related to those spaces always create unrelated business income. *Please note – the IRS is allowing employers to remove reserved space signs until March 31, 2019 and the IRS will consider it retroactive to January 1, 2018.*

All unrelated business income is reported by filing Form 990T.

For more information see: “IRS Issues Interim Guidance, Special Rule Regarding “Parking Lot Tax”:  
<https://www.churchlawandtax.com/web/2018/december/irs-issues-interim-guidance-special-rule-regarding-parking-.html>.