Welcome to the Jones & Associates PLLC, CPAs June, 2018 newsletter! Feel free to pass it along…

New Tax Law = New Tax on Transportation Benefits

As a nonprofit organization, do you offer transportation benefits such as bus passes or parking to make it easier for your employees to commute to work? If so, under the new tax law passed in December 2017, you may now be required to pay unrelated business income tax (UBIT) on these expenses – even if employees pay for them through a qualified pre-tax contribution plan.

The logic behind this is that qualified transportation benefits are no longer deductible by for-profit entities. Therefore, imposing a tax on tax-exempt employers for the same type of benefits is an attempt to equalize tax-exempt and tax-paying employers. The tax rate is 21%, the new federal corporate tax rate. For example, if you pay $10,000 in qualified transportation benefits in 2018, you will owe $2,100 in tax.

Although further guidance has been requested from the IRS, along with a request to postpone the effective date, this new law became effective January 1, 2018. Here are steps to figure out if your organization is subject to the tax, and what to do if you are:

1) Determine if your organization offers qualified transportation fringe benefits such as transit passes, parking and taxi services. Resource: IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits.

2) Determine if the benefits provided would be disallowed as a deduction if the organization were a taxable employer. The benefits are generally disallowed, but there are certain exceptions such as occasional taxi service to ensure the safety of employees working late at night. Resource: IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits.

3) If the benefit is a qualified transportation benefit which would be non-deductible by for-profit employers, calculate the tax and begin making quarterly tax payments through the electronic deposit system, EFTPS. Resource: EFTPS website.

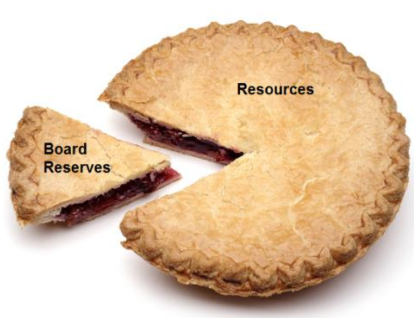
4) Amounts paid will be reported on the Form 990-T, due at the same time as the Form 990.

And if you don't want to pay this new tax? You'll need to stop offering qualified transportation benefits. You can increase employees' taxable compensation to offset the loss of benefits, as long as you do not require the compensation be used for transportation, although this will result in additional employment taxes. When exploring these options, carefully weigh the value of the benefit to the employees and impacts on morale and retention, vs. the additional cost.

National organizations such as the National Council of Nonprofits are concerned about this new aspect of the tax law, as it imposes a tax on nonprofit organizations in a way that hasn't been done before. The IRS has indicated that additional guidance may be coming in summer 2018. We will update you with any new developments.

Additional resource: National Council of Nonprofits

New Nonprofit Reporting Standards – Spotlight on Board Reserves



The new nonprofit reporting standards (effective for calendar year 2018 and fiscal years 2018-2019) place an increased emphasis on board designated net assets, including board reserves. There will be expanded disclosures related to board designated net assets, including the nature and amounts. In addition, when reserve funds may be spent will factor into the new liquidity and availability disclosures. We recommend careful review of all board designated and board reserve funds to ensure there are adequate policies and procedures in place to determine when funds are to be designated, in what amounts, and how/when they may be spent down.

Read more about the new nonprofit reporting standards in our article HERE.

Q&A with J&A

Q: We have just undergone a State of Washington unemployment tax audit and they have found that several of our contractors should really be employees. Does that mean they should also be considered employees for Federal IRS purposes?

A: Not necessarily. The State of Washington and Internal Revenue Service (federal) definitions of an independent contractor are different, so it is important to see how your worker fits both definitions. You can learn more about hiring independent contractors in Washington from the Department of Labor & Industries' Independent Contractor Guide.

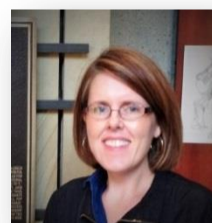
From a Federal IRS perspective, generally, you must withhold income taxes, withhold and pay Social Security and Medicare taxes, and pay state taxes on wages paid to an employee, but not on payments to independent contractors. The organization can be held liable for employment taxes, plus interest and penalties, if a worker is incorrectly classified as an independent contractor. For detailed guidance refer to the "Who Are Employees?" section in Publication 15-A, Employer's Supplemental Tax Guide.

J&A Learning Opportunities

You're Invited! Cash Flow Management Webinar

Some say that after mission, MONEY is the most time and energy consuming aspect of an organization's life. It's worth emphasizing that your organization needs to be highly focused on running profitably. The only alternative to profit is a loss and a loss, at best, can hamper the organization's ability to do what they set out to do. At worst, the organization could close its doors. In this interactive 2-hour webinar you will learn best practices in developing cash management policies and practices using various tools to plan for cash flow seasonality and reserves. Takeaways include an example cash management and operating reserve policy, how to find resources to bridge gaps and how to build indicators to evaluate and identify problems early.

This session is led by Judy Jones, CPA, MBA and Erin Blake, CPA of Jones & Associates PLLC, CPAs. Judy has spent over 30 years in the nonprofit industry as a CPA, trainer and consultant. Erin joined J&A in 2017 and has 4 years' experience in public and private accounting. Prior to her accounting career, Erin was a middle-school English teacher.



The live session is Thursday, June 14, 2018 from 10am-noon and participation is limited. To register for this informative and important webinar, enroll HERE.

Don't forget to check out the catalog of all the great listings remaining in our 2017/2018 webinar training series HERE. You won't want to miss:

Building Better Reports for Users	July 12th	Register HERE
Financial Leadership	Aug 23rd	Register HERE
Understanding the IRS Form 990	Sept 5th	Register HERE

Remember, even if you cannot attend a live webinar session, if you are registered, you will receive a copy of the video recording of the session and class materials to use at your convenience. This webinar qualifies for 2 hours of CPE.

* * * * *

Should you have any questions about the content of anything in this newsletter, please contact us.

Your dedicated nonprofit team at Jones & Associates PLLC, CPAs,

Judy, Jennifer, Doug, Angela, Erin, Adrienne and Debbie
Jones and Associates PLLC, CPAs
(206) 525-5170
www.judyjonescpa.com