

For purposes of [Code Sec. 512\(a\)\(7\)](#), the expenses for a parking facility are those expenses that are related to the property an employer owns or leases, at or near the employer's business or at a location from which the employee commutes to work. Expenses for these parking facilities used in connection with qualified parking, and as part of the provision of qualified parking, are nondeductible under [Code Sec. 274\(a\)\(4\)](#) and result in an increase in UBTI.

 **RIA illustration:** J, a tax-exempt religious organization that operates a church and a school, owns a surface parking lot adjacent to its buildings. J incurs \$10,000 of total parking expenses. J's parking lot has 500 spots that are used by its congregants, students, visitors, and employees, and 10 spots that are reserved for certain employees. During the normal hours of J's weekday activities, J usually has approximately 50 employees parking in the lot in non-reserved spots and approximately 440 non-reserved parking spots that are empty. During the normal hours of J's weekend activities, J usually has approximately 400 congregants parking in the lot in non-reserved spots and 20 employees parking in the lot in non-reserved spots.

Step 1. Because J has 10 reserved spots for certain employees, \$200 ($(10/500) \times \$10,000 = \200) is the amount of total parking expenses that is nondeductible for reserved employee spots. Thus, under [Code Sec. 512\(a\)\(7\)](#), J must increase its UBTI by \$200, the amount of the deduction disallowed under [Code Sec. 274\(a\)\(4\)](#).

Step 2. Because usage of the parking spots varies significantly between days of the week, J uses a reasonable method to determine that the primary use of the remainder of J's parking lot is to provide parking to the general public because 90% ($440/490 = 90\%$) of the spots are used by the public during the weekdays and 95% ($470/490$) of the spots are used by the public on the weekends. The empty, non-reserved parking spots are treated as provided to the general public. Thus, expenses allocable to these spots are not included in the [Code Sec. 274\(a\)](#) disallowance by [Code Sec. 274\(e\)\(7\)](#) under the primary use test, and only \$200 of the \$10,000 is subject to the disallowance for qualified transportation fringes. Therefore, only \$200 of the expenses for the provision of the qualified transportation fringes will result in an increase to UBTI. If J does not have gross income from any unrelated trades or businesses of \$800 or more included in computing its UBTI (to reach the \$1,000 filing threshold), J is not required to file a Form 990-T for that year.

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