Testimony of Emory University
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Hearing:
"Ending the TCJA Tax on House of Worship, Charities and Nonprofits"

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of the House Ways and Means Committee

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Good afternoon Chairman Lewis and Ranking Member Kelly. Thank you for inviting me to present today. I appreciate the opportunity to be with you and the esteemed Members of this subcommittee.

Let me begin by telling you a bit about Emory.

As an educational institution, health system, and research enterprise, Emory is a major economic partner to the state of Georgia. Emory is the second largest employer in the greater Atlanta region with a full-time workforce of nearly 38,000. Last year, our economic impact on Georgia was $11.4 billion. In addition to nine schools and colleges educating over 15,000 students per semester, Emory runs the most comprehensive academic health system in Georgia.

Emory can provide a unique perspective on how the tax on qualified transportation fringe benefits is harmful to an institution committed to research, education, service, and patient care.

Last year, we operated over 40 parking lots and garages across 11 hospitals, 250 outpatient locations, and two college campuses. Emory directly and indirectly supports over 77,000 jobs; and we have approximately 7 million patient service visits annually. Emory's patients and students come from all 50 states with many of them driving to campus for their healthcare visits or educational coursework.

In general, we believe that a national tax policy should not target a small number of tax payers as this tax does. In particular, the effect of tax law on a taxpayer's decisions on how to carry out a particular transaction or whether to engage in a transaction should be kept to a minimum.

Our unique campus make-up results in significant computing challenges related to the tax, specifically the cost of providing parking facilities.

IRS guidelines focused on computing the tax speak of determining the "usual usage" of a parking lot or garage. However, as a university and health system, we do not have "usual usage." Our emergency departments, labor and delivery units, hospitals, and dormitories are 24/7 operations. We also have decks that are reserved during portions of the day; and then after 4pm, our parking is typically open and free to visitors attending sporting events or evening lectures. IRS guidance does not define usual usage and does not explain how to treat when a parking lot is used by employees during the working day and then by visitors in the evenings and on weekends.

Once Emory developed a reasonable definition to compute the tax, we calculated the financial impact. For the first 8 months of the tax, Emory estimates the cost of providing qualified transportation fringe benefits to employees to be $5 million, resulting in a $1.6 million federal and state tax burden. Future years' costs are estimated to be over $7 million annually, resulting in an estimated tax burden between $2 and $2.5 million each year going forward for federal and state taxes.

On top of the estimated $1.6 million tax for 2018, Emory has invested a significant amount of administrative resources into calculating this tax.

One individual spent in excess of 500 hours of time in computing the tax—including the allocation of expenses to each deck like electricity, insurance, maintenance, and security. In addition, at least 15 other individuals across the system were required to gather and evaluate the information. With our large amount of mixed-use parking decks, we actually had to count, by foot, the number of reserved spaces, employee spaces, and visitor spaces in order to come up with a reasonable calculation. For example, our physician parking areas are necessary to ensure that our doctors can be ensured ready parking when called for an emergency and are travelling between hospitals for appointments. Finally, in an effort to ensure accurate compliance with the law, we retained outside counsel and advisors to assist in the interpretation and review of our computations. Because of our complex tax structure, Emory is fortunate to have a department of tax. Many of our colleagues are having to calculate and file for the very first time without the resources for the tax or outside consultants.

Budgeting for this tax has been a challenge.

This tax provision became effective a mere 10 days after the passage of the law providing no time for nonprofits to evaluate, plan and budget for the impact of the provision. By the time the provision had been signed into law, Emory's FY2018 and FY2019 budgets had already been calculated; and we have had to redistribute funds to comply with the new tax law. As a non-profit, Emory University does not have shareholders or pay out dividends to stockholders. This tax payment of $2 to $2.5 million dollars will come out of our current operating budget, which could leave less money available for research, improving student access to higher education, or reinvesting in our aging facilities. Emory provides a significant amount of financial aid to students and supports a large portfolio of research activities. This parking tax will shift resources from those core missions.

This tax on non-parking transportation benefits may have an unintended negative impact on efforts to mitigate traffic congestion and vehicle emissions.

This tax is imposed on both parking and non-parking transportation benefits. In Emory's case, benefits like public transportation passes and vanpools, comprise almost half of our qualified fringe benefit costs. Emory provides monthly passes for the Metropolitan Atlanta Rapid Transit Authority (MARTA), Gwinnett County Transit, and CobbLinc. We provide 2300 passes for MARTA alone.

Mass transit does not serve the Clifton Corridor, which is home to Emory University and the Centers for Disease Control and Prevention. Emory is proud to offer transportation benefits to employees and students, with the goal of reducing traffic in our main campus thoroughfare and improving air quality. This tax does not encourage this continued practice.

Our colleague institutions are similarly challenged.

It is important to note that we are a diverse sector. Whether a school or health system is urban, rural, commuter, or residential, and has buses, public transportation access, parking lots, and/or garages, is a part of the complexity in formulating the associated tax payment. A sampling of five of our colleague institutions informs us that the annual tax is estimated to be between $500k and $2 million annually, depending on the type of institution and the city in which they are located. While health systems, in particular, seek to grow to meet the growing needs of their communities, this tax discourages that mission-oriented growth, stifles hiring new staff and creating job opportunities, and siphons funds for clinical services.

As the committee continues to look into ways to improve the tax code and simplify the burden placed on non-profits, we encourage members to repeal this tax, as well as other tax provisions of concern. I look forward to answering your questions. Thank you.