



## Commuter Tax Benefits

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# Table of Contents

Votran Commuter Assistance	3
Commuter Tax Benefits; A Brief Overview	3
Federal Commuter Tax Benefits	4
Qualified Commuter Benefits & Tax-Free Limits	4
Providing Tax-Free Qualified Commuter Benefits	4
Tax Savings for Employer and Employees	5
Tax Benefits of Employer-Paid Benefits	6
Tax Benefits of Employee Pre-Tax Deductions	7
Employer/Employee Cost Sharing	7
Sample Tax Savings	8
• Employer Pays	8
• Employee Pays with Pre-tax Income	9
• Employee and Employer Share Costs	10
Employer Tax Savings Worksheet	11
Employer Questions and Answers	12-14
Best Workplaces for Commuters Designation	14
Information and Contacts	16
IRS Code Section 132(F) Qualified Transportation Benefits	17

## Votran Commuter Assistance

Votran Commuter Assistance is a service of Volusia County Government. By informing our community of available transportation solutions, commuters and employers in both the public and private sectors are reducing their carbon footprint and reducing traffic on our roadways while receiving moneysaving, tax-free benefits.

Votran Commuter Assistance outreach and education provided in partnership with rethink, the Florida Department of Transportation District V Commuter Assistance Program. Presentations to Human Resource Departments and groups of employees and employers can be arranged by contacting:

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## Commuter Tax Benefits; A Brief Overview

- The American Recovery and Reinvestment Tax Act of 2009 provides a temporary boost to transit and vanpool benefits that companies can offer their employees. The provision amends the Federal Tax Code section 132 to allow an increase from the current limit of \$120 per month to \$230 per month in tax-free transportation fringe benefits per employee, for transit or vanpool expenses. The provision is effective March 1, 2009 and lasts through the end of 2010.
- The employer can cover the cost of the tax-free transportation benefit, allow employees to reserve income on a pre-tax basis to cover the cost of the tax-free transportation benefit or employees and employers can share the cost.
- Providing commuter tax benefits to employees can save payroll taxes for employers. The value of the benefit paid to employees is considered a tax-free transportation benefit and not wage or salary compensation, therefore, payroll taxes do not apply. Subsequently, giving an employee \$230 per month in transit/vanpool benefits is less expensive for an employer than raising the employee's salary by \$230 per month. Allowing employees to reserve income on a pre-tax basis also saves the employer payroll taxes by reducing employer matching requirements for FICA.
- Employees receive more from employer paid tax-free transportation benefits than from a comparable salary increase as they do not pay federal income or payroll taxes on the value of the benefit. Employees who reserve income on a pre-tax basis for a qualified transportation benefit also save money since they do not pay federal income or payroll taxes on the income reserved.
- If an employer is participating in Best Workplaces for Commuters, providing transit/vanpool benefits is one of the primary employee benefit options. Employers must offer at least one of the primary benefits to their employees to be recognized as one of the Best Workplaces for Commuters. Under this option, the employer agrees to provide at least \$30 per month in transit/vanpool benefits for any employee whose actual commuting costs are \$30 or more.

## Federal Commuter Tax Benefits

The Federal tax code allows employers to provide tax-free benefits for transit and vanpool to their employees. Called "qualified fringe transportation benefits", they are often referred to as "commuter benefit programs".

Through these programs, employers and employees can receive substantial tax savings since neither pays federal income or payroll taxes on these benefits. The employer can also deduct the cost of the benefit as a business expense for the purpose of calculating corporate income taxes, in the same manner that salary payments to employees can be deducted.

A provision in the American Recovery and Reinvestment Tax Act of 2009 amends the Federal Tax Code section 132 to allow an increase from the current limit of \$120 per month to \$230 per month (\$2,760 per year) in tax-free transportation fringe benefits per employee, for transit or vanpool expenses. The provision is effective March 1, 2009 and lasts through the end of 2010.

## Types of Qualified Commuter Benefits

According to the Internal Revenue Service Code, Section 132 (f), qualified commuter benefits are excludable from income for purposes of taxation. Benefits include transit passes, any vouchers, passes, fare-cards, tokens or related items that employees can use to pay for transportation on mass transit facilities.

Transportation can also be provided by a person in the business of transporting persons for compensation or hire, as long as such transportation has a seating capacity of at least six adults (not including the driver).

## Providing Tax-Free Commuter Benefits

Qualified commuter benefits may be offered by employers in three types of ways:

1. **The company covers full cost of the benefit:** Up to \$230 per month for transit and vanpool expenses is offered tax-free to employees and does not incur payroll taxes for the employer or employee.
2. **The company offers a "pre-tax" benefit:** Employees may have up to \$230 per month taken out of their current monthly pay towards the cost of commuting on transit or in vanpools *before* taxes are applied. Employees save federal income and payroll taxes. Many employers prefer this option because the employee pays the cost and employers also save money because the employer requirement for matching FICA and unemployment taxes does not apply.
3. **The employer and employee share costs:** Under this option, the employer and employee each pay a share of the benefit. For example, the employer might offer \$140 per month in transit vanpool benefits and allow the employee to reserve up to \$90 per month as a pre-tax benefit.

## Tax Savings for Employer and Employees

By offering tax-free qualified benefits, both employers and employees can save taxes. The tax savings depends on the way that benefit is provided: employer-paid, paid by employee through a pre-tax salary deduction or a combination of both. This section describes how employers and employees save under each of these options. Under current 2009 tax law, transit and vanpool expenses up to \$230 per month (\$2,760 per year) are tax-free. The employer can also deduct the cost of the benefit as a business expense for purpose of calculating corporate income taxes, in the same manner that salary payments to employee can be deducted.

Options	Employer Tax Benefit	Employee Tax Benefit
<b>Employer-Paid</b> Employers provide their employee with up to \$230 per month to commute via transit or vanpool (typically in the form of passes or vouchers).	Compared to providing a salary increase, the employer saves on payroll taxes*. No payroll taxes are paid on the value of the benefit.	Employee receives up to \$230 per month tax-free to commute via transit or vanpools. The employee does not pay taxes on the value of the benefit.
<b>Employee Pre-tax Deduction</b> Employers allow employees to reserve up to \$230 per month in pre-tax income to pay for transit or vanpools.	Employer saves on payroll taxes*. No payroll taxes are paid on the income that is reserved by the employee.	Employee saves on income tax and payroll taxes. The amount of the benefit is no longer treated as taxable salary.
<b>Employee/Employer Share Costs</b> Employers pay transit, vanpool, or qualified parking costs up to a certain limit and the employee pays for the remainder of the costs through a pre-tax deduction. Total employer and employee paid costs cannot exceed the monthly limits of \$230 per month for transit and vanpool.	Employer saves on payroll taxes* on the portion of the subsidy paid by the employee through a pre-tax deduction, and on the value of the benefit provided to the employee.	Employee does not have to pay any taxes on the portion of the benefit. Additionally, they save on income tax and payroll taxes by taking a pre-tax deduction to pay for the remainder of their commuting costs.

\*7.65% savings if the employee's salary is below the Social Security wage base of \$106,800

More detailed examples of commuter tax benefits immediately follow and are based on current tax law. The Federal Insurance Contributions Act (FICA), which is commonly referred to as payroll taxes, consists of Social Security and Medicare taxes. FICA is paid on wages in equal amounts by both the employer and the employee.

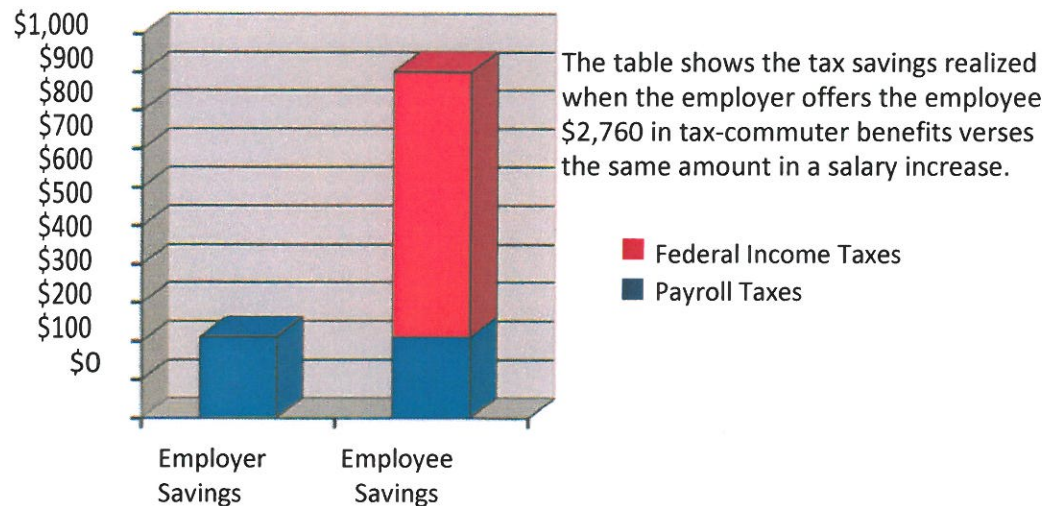
- There is no salary limit for paying Medicare taxes.
- Social Security taxes are paid on income up to \$106,800 per year, per employee. Note that as of 2009, Social Security taxes do not apply on income above \$106,800 per year; therefore, these examples are based on an employee who has an annual salary less than the FICA wage base of \$106,800. Additionally, these examples assume that the employee is in the 25% federal income tax bracket.

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## Tax Benefits of Employer- Paid Benefits

If the employer pays for the benefit, the value of the benefit is free of employer payroll (FICA) taxes, a tax-free benefit to offer employees and is deductible when calculating corporate income taxes. Employer paid transportation benefits are less costly to provide than a comparable increase in taxable salary.

- By providing \$2,760 per year in transit or vanpool benefits rather than a \$2,760 increase in salary, the employer saves over \$211 per year in a payroll taxes ( $\$2,760 \times 7.65\%$  employer matched FICA).
- The employer is also offering a substantial benefit to the employee. Because the \$2,760 in transit or vanpool benefits is tax-free, the employee saves about 32% or \$901 in taxes ( $\$2,760 \times 25\%$  federal income tax and  $7.65\%$  employee FICA = \$901). The employee receives the entire \$2,760 in transit or vanpool benefits versus a net salary increase of \$1, 859.



- In order to offer a *net* salary increase of \$2,760, the savings from offering \$2,760 in transit or vanpool benefits instead is even greater. The employer would be required to offer a salary increase of about \$4,098 in order for the employee to actually take home a net increase of \$2,760. ( $\$4,098$  less  $25\%$  federal income tax and  $7.65\%$  FICA = \$2,760). Additionally, the employer is required to match the employee's FICA contribution, an expense of about \$313.
- Providing the employee a *net* pay increase of \$2,760 would cost the employer approximately \$4,098 in gross salary and \$313 in employer-matched FICA, totaling \$4,411. The employer could offer \$2,760 in tax free transit or vanpool benefits instead, realizing a cost savings of \$1, 651.

## Tax Benefits of Employee Pre-Tax Deductions

If the employer does not pay for the transit or vanpool benefits but deducts the pass from an employee's pre-tax income:

- The employer sees a reduction in payroll taxes
- The employer does not pay federal income and payroll taxes on the deducted amount

Employers and employees pay equal amounts of FICA or payroll taxes: 6.2% of wages for Social Security and 1.45 % of all wages for Medicare. Employers do not pay any FICA taxes on the amount of income that is reserved by the employee from taxable income for qualified commuter benefits. As a result, for every dollar that an employee reserves for a pre-tax transportation benefit, the employer saves about 7.7 cents (\$1.00 x 7.65%). An employee who reserves \$2,760 per year (\$230 per month) for transit or vanpool benefits will save over \$211 per year for the employer in reduced FICA taxes (\$2,760 x 7.65%).

Employees also receive substantial tax savings. An employee in the 25% federal tax bracket who reduces his or her pre-tax income by \$2,760 per year (\$230 per month) to pay for transit or vanpooling expenses could save \$690 per year in federal income taxes and in excess of \$211 per year in payroll taxes. In total, an employee could be saving over \$90 each year or approximately \$75 per month. This brings the real transit cost to the employee down from \$2,760 per year (\$230 per month) to about \$1,859 per year (\$155 per month), a savings of approximately 33%.

## Employer /Employee Cost Sharing

Both the employer and employee benefit when an employer shares the cost of commuting with employees by paying a portion of commute expenses as an additional benefit and allowing employees to deduct the rest of their expenses (up to the monthly limit) from their pre-tax income. For example, instead of providing a \$140 per month salary increase, an employer decides to provide up to \$140 per month (\$1,680 per year) in qualified commuter benefits and allows the employee to take the additional \$90 per month (\$1,080 per year) in commuter benefits from pre-tax income. The employer would save about \$83 annually in payroll taxes on the \$1,080 per year on the employee's pre-tax income and more than \$128 annually in payroll taxes on the \$1,680 per year in commuter benefits, for a combined savings of about \$211 per year per participating employee. Additionally, qualified commuter benefits are tax deductible on corporate income taxes.

Employee tax savings are also substantial under this approach. By taking \$140 per month (\$1,680 per year) as a tax-free commuter benefit rather than as a salary increase, the employee takes home an approximately \$549 per year in additional benefits as opposed to paying it in taxes (assuming a 25% federal income tax rate and a 7.65% rate for FICA). Also, by paying for the remainder of the transit expense \$90 per month (\$1,080 per year) with pre-tax income, an employee can save more than \$352 in taxes (once again assuming a 25 percent Federal income tax rate and a 7.65 % rate for FICA taxes), for a combined savings of approximately \$901 per year.

As a salary substitute, an additional benefit or a combination of the two, transportation benefits provide more value to the employee and to the employer as well.

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## Sample Tax Savings

Sample calculations for tax savings associated with different types of commuter benefit programs are listed below. For all examples, it is assumed that the employee is single with no dependants, pays at a federal income tax rate of 25 percent and makes less than the taxable wage base (therefore the FICA is 7.65%). Corporate income taxes are assumed to be 34 percent.

### Example 1: Employer Pays

Acme Corporation has decided to provide employees with tax-free transit or vanpool benefits of \$230 per month (\$2,760 per year) to help pay commuter expenses.

- For both Craig and Acme Corporation, this arrangement is better than giving him a \$2,760 raise since Craig actually receives more money and his employer pays less.
- If Acme Corporation had raised Craig's annual salary by \$2,760, he would only receive \$1,858.86 in post-tax income. Because transit benefits are tax-free, he receives the full \$2,760 benefit.
- Craig saves \$901.14 per year in taxes when his employer provides him with a tax-free transit benefit rather than the same benefit in salary and the employer saves \$139.32 per year in taxes.

<b>Employer Cost Per Employee</b>	<b>Transit or Vanpool Benefit (Pre- Tax)</b>	<b>Regular Salary</b>
Direct Cost	\$230.00	\$230.00
FICA Cost	–	\$17.59
Corporate Income Tax	(\$78.20)	(\$84.18)
<b>Net Cost</b>	<b>\$151.80</b>	<b>\$163.41</b>
Savings per Month	\$11.61	–
<b>Savings per Year</b>	<b>\$139.32</b>	–

<b>Employee Savings</b>	<b>Transit or Vanpool Benefit (Pre-Tax)</b>	<b>Regular Salary</b>
Income	\$230.00	\$230.00
FICA Cost	–	\$17.59
Income Tax	–	\$57.50
<b>Net Benefit</b>	<b>\$230.00</b>	<b>\$154.91</b>
Savings per Month	\$75.09	–

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## Example 2: Employee Pays with Pre-tax Income

Craig is an employee at Acme Corporation making \$3,600 per month. Acme Corporation offers its employees commuter benefits, including allowing employees to pay for transit and vanpool vouchers using pre-tax income, up to the monthly limit of \$230. Craig elects to do this and uses pre-tax income to purchase a monthly vanpool voucher which costs \$230 per month.

- By electing to use pre-tax income to pay for his vanpool voucher, \$230 is taken out of Craig's monthly pre-tax income; thereby saving him the FICA and federal income taxes that would normally be applied to that \$230 had he purchased his tickets using money from his paycheck.
- Both Craig and Acme Corporation pay less in taxes with the pre-tax deduction option.
- Craig saves \$901.08 per year in taxes when his employer allows him to take the pre-tax deduction option, rather than the same benefit in salary, and the employer saves \$139.32 per year in taxes.

<b>Impact on Employee for Employee's Pre-Tax Contribution</b>	<b>Transit or Vanpool Benefit (Pre- Tax)</b>	<b>Regular Salary</b>
Direct Cost to Employee	\$230.00	\$230.00
FICA Cost	-	\$17.59
Income Tax	-	\$57.50
<b>Net Benefit</b>	<b>\$230.00</b>	<b>\$154.91</b>
Savings per Month	\$75.09	-
<b>Savings per Year</b>	<b>\$901.08</b>	-

<b>Impact on Employer for Employee's Pre-Tax Contribution</b>	<b>Pre-Tax Contribution</b>	<b>Regular Salary</b>
Direct Cost	\$0	\$0
FICA Cost	-	\$17.59
Corporate Income Tax	-	(\$5.98)
<b>Net Cost</b>	<b>\$0</b>	<b>\$11.61</b>
Savings per Month	\$11.61	-
<b>Savings per Year</b>	<b>\$139.32</b>	-

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### Example 3: Employee & Employer Share Costs

Suppose a tax-free transit/vanpool voucher is \$230 per month (\$2,760 per year). Acme Corporation has decided to provide a tax-free fringe benefit of \$65 per month. Employees whose commuter expenses exceed this will be allowed to pay the remainder of their expenses using pre-tax income. For Craig, this means that he will take the \$65 tax-free fringe benefit and then use pre-tax income to pay for the remaining \$165 tax-free transit/vanpool voucher.

Impact on Employer For Employer's Contribution	Transit Benefit	Salary Increase	Impact on Employee For Employer's Contributions	Transit Benefit	Salary Increase
Direct Cost	\$65.00	\$65.00	Direct Cost	\$65.00	\$65.00
FICA Cost	N/A	\$4.97	FICA Cost	N/A	\$4.97
Corporate Income Tax	(\$22.10)	(\$23.79)	Income Tax	N/A	\$16.25
<b>Net Monthly Cost</b>	<b>\$42.90</b>	<b>\$46.18</b>	<b>Net Monthly Benefit</b>	<b>\$65.00</b>	<b>\$43.78</b>
Savings per Month	\$3.28	N/A	Savings per Month	\$21.22	N/A
Savings per Year	\$39.36	N/A	Savings per Year	\$254.67	N/A

Impact on Employer for Employee's Contribution	Transit Benefit	Impact on Employee for Employee's Contribution	Transit Benefit
Direct Cost	\$0	Direct Cost	\$165.00
FICA Cost	\$12.62	FICA Cost	\$12.62
Corporate Income Tax	N/A	Income Tax	\$41.25
Savings per Month	\$12.62	Savings per Month	\$53.87
Savings per Year	\$151.44	Savings per Year	\$646.44

Total Employer Impact	Total Employee Impact
Total Monthly Cost	Total Monthly Cost
\$30.28	\$111.13
<b>Total Annual Cost</b>	<b>Total Annual Cost</b>
<b>\$363.36</b>	<b>\$1333.56</b>

Acme's total net cost after payroll tax savings for the transit benefit with a \$65.00 value is \$30.28 per month which consists of a \$42.90 per month net cost for the \$65.00 transit benefit and \$12.62 in FICA savings from the employee's pre-tax income. As a net result, the company pays only \$363.36 per year for a \$780.00 benefit to its employee.

The employee's net cost for the transit benefit with a \$165.00 value is \$111.13 per month. As a result, the employee pays only \$1,333.56 per year for a \$1,980.00 benefit, a savings of \$646.44 annually. Additionally, the employee saves \$21.22 per month or \$254.67 per year in payroll taxes by taking the 65.00 per month from his employer in the form of transit benefits instead of payroll.

# Employer Tax Savings Worksheet

The following calculations can be used to estimate an employer's tax savings from implementing a commuter benefit program.

## Option 1: Tax-Free Transportation Fringe Benefit

This section calculates the tax savings for employers who offer commuter benefits as an employer-paid transportation fringe benefit compared to providing the same benefit as additional salary

1. Yearly Cost of Benefit per Employee  
*(Maximum of \$230 per month in transit and vanpool benefits as per statutory limit)* \_\_\_\_\_
2. FICA Rate *(for participants below FICA wage base)* 0.0765
3. FICA Tax Savings per Participating Employee *(Line 1 x line 2)* \_\_\_\_\_
4. Number of Participating Employees \_\_\_\_\_
5. Total FICA Tax Savings *(Line 3 x Line 4)* \_\_\_\_\_

## Option 2: Pre-Tax Benefit

This section is for employers who allow employee to use pre-tax income to pay for qualified commute expenses.

1. Amount of Annual Pre-Tax Income Deducted from Each Participating Employee  
*(Maximum of \$230 per month in transit and vanpool benefits as per statutory limit)* \_\_\_\_\_
2. FICA Rate *(for participants below FICA wage base)* 0.0765
3. Average FICA Tax Savings per Participating Employee *(Line 1 x Line 2)* \_\_\_\_\_
4. Number of Participating Employees \_\_\_\_\_
5. Total FICA Tax Savings *(Line 3 x Line 4)* \_\_\_\_\_

## Option 3: Cost Sharing

Employers who share commute costs with participating employees can calculate their tax savings using the two options above. First, calculate the payroll tax savings from offering employees the tax-free benefit rather than a salary increase. Second, calculate payroll tax savings from allowing employees to use pre-tax income to pay for the benefit.

## Employer Questions and Answers

### **Are all employees eligible for qualified commuter benefits?**

Yes. Any employee or group of employees can be offered a qualified commuter benefit. The employer has the discretion to choose which employees are offered the benefit and the amount of the benefit can vary from employee to employee.

There are only two restrictions on who can receive the qualified commuter benefits. First, it must be given to only the employees who will use it for their daily commute to and from work and not for personal travel. Second, individuals who are employed as partners in a company who are self-employed or who are more than two percent shareholders of a subchapter S corporation are not eligible.

### **If a monthly vanpool voucher costs \$125 per month, am I limited to providing a \$230 benefit per month?**

No. An employer may provide transit/van pool benefits of any amount. The tax-free benefit for transit/vanpool benefits, however, is currently limited to \$230 per month. As a result, the employee and employer must pay taxes on the value of the benefit that exceeds the \$230 statutory limit.

For example, if the employer provides the employee with a vanpool voucher valued at \$235 per month, only \$230 is a tax-free fringe benefit. The excess \$5 must be included in the employee's wages for income and employment tax purposes. Similarly, if the employer offers a pre-tax salary deduction option, the employee may be allowed to purchase a voucher with a value of more than \$230 per month. Then \$230 per month will be deducted from the employee's wages for income and employment tax purposes. The remaining cost will be included in taxable salary, but can be used by the employer to purchase the voucher.

### **How are benefits treated if an employee terminates employment and the transit pass covers multiple months?**

In general, the value of transit passes provided in advance to an employee for a month in which the individual is not an employee must be included in the employee's wages for income tax purposes. Transit passes distributed in advance to an employee are excludable from wages for income and employment tax withholding purpose if the employer distributes transit passes to the employee in advance for more than three months. At the time the passes are distributed, there cannot be an established date that the employee's employment will be terminated (for example, if the employee has given notice of retirement) occurring before the beginning of the last month of the period for which the transit passes are provided.

Assume the employer distributes transit passes quarterly, and the employee elects to have \$690 deducted from salary to cover transit vouchers for April, May and June. If employment terminates on May 31, and there was not an established date of termination at the time the transit passes were distributed, then the value of the transit passes provided for June (\$230) is excludable from the employee's wages for employment tax purposes. However, the value of the transit passes distributed for June (\$230) is not excludable from wages for income tax purposes. If the employee's termination date was established at the time the transit passes were provided, then the \$230 is included in the employee's wages for both income and employment tax purposes.

## **Under what circumstances can employers offer benefits in the form of cash payments rather than using transit vouchers or passes?**

The tax code states that transportation reimbursements must be made through transit vouchers or passes. Internal administrative costs that cannot be considered in determining voucher availability include expenses incurred by the employer to distribute the vouchers. If the employer chooses to mail vouchers to the employees, the postal fee cannot be considered. Likewise, any additional security measures that must be taken to safeguard the vouchers or expenses incurred to advertise the provision of transit vouchers cannot be considered.

For example, Acme Corporation would like to provide a transit benefit up to \$230 per month to all employees who commute to work via transit. Because Acme Corporation does not have a central location where passes can be picked up, it will have to distribute the passes by sending them to employees via regular mail on a monthly basis. This will cost the company approximately \$1,000 per year in postal fees in addition to the cost of having a Human Resources employee prepare the envelopes, bring them to the post office, etc. To save money, Acme Corporation would prefer to provide cash reimbursements to employees rather than distribute the passes each month.

Due to the requirements of the federal regulations, Acme is not allowed to do this. The personnel costs and costs of distributing the passes via mail cannot be considered because they are internal administrative costs.

## **What are the typical internal administrative (and other) costs faced by employers who implement commuter benefit programs?**

The most common internal administrative costs faced by employers who implement commuter benefit programs include the cost of managing the program on a day-to-day basis, marketing the program to employees and distributing transit passes or vouchers. Other internal costs depend on the type of program that the employer chooses to establish. For example, if an employer sets up a vanpool program, then typical costs could include the amount of money spent on purchasing or leasing a commuter highway vehicle and any additional insurance expenses.

## **Does a qualified commuter benefits plan have to be in writing?**

No. The Internal Revenue Service Code does not require that a commuter benefits plan be in writing or that any form of written plan be submitted to the IRS. However, a company may wish to have certain written rules in order to answer employee questions and describe how the commuter could write a plan that describes:

- Which employees are eligible to receive commuter benefits
- What benefits will be provided by the company
- How the company vanpool and emergency ride home programs operate, and
- The procedure for enrolling in and discontinuing participation in the benefits program

The company should not submit this plan to the IRS but should make it available to all employees.

## If I implement a transit/vanpool benefit program, am I required to offer the full value of the benefits to my employee?

No. An employer may provide benefits of any amount.

## What are the payroll tax requirements for qualified commuter benefits?

Qualified commuter benefits that do not exceed the statutory monthly limit are not considered wages for purposes of the Federal Insurance Contributions Act (FICA), the Federal Unemployment Tax Act (FUTA), and federal income tax withholding. Any amount by which an employee elects to reduce compensation under the limit is not subject to the FICA, the FUTA and federal income tax withholding.

Qualified commuter benefits exceeding the applicable statutory monthly limit are wages for purposes of FICA, the FUTA and the federal income tax withholding and are reported on the employee's Form W-2, Wage and Tax Statement. Also, cash reimbursements to employees in excess of the applicable statutory monthly limit are treated as paid for employment tax purposes when actually or constructively paid.

Employers must report and deposit the amount withheld in addition to reporting and depositing other employment taxes. To receive payroll tax savings, employees do not have any additional paperwork requirements beyond those normally performed when filing taxes.

## Best Workplaces for Commuters<sup>SM</sup> Designation

The U.S. Environmental Protection Agency (EPA) and the U.S. Department of Transportation (DOT) established a voluntary *National Standard of Excellence* for employer-provided commuter benefits. Commuter benefits help American workers get to and from work in ways that cut air and global warming pollution, improve public health, increase worker productivity and reduce expenses and taxes for employers and employees. Employees who agree to meet the *National Standard of Excellence* earn the Best Workplaces for Commuters™ (BWC) designation by:

- Centralizing information on commuter options so that it is easy for employees to access and use
- Promoting the availability of commuter benefits to employees
- Providing access to an Emergency Ride Home (ERH) program
- Providing one or more of the following primary commuter benefits:
  - Vanpool or transit benefits of at least \$30 per month
  - A telework program that reduces commute trips by 6 %
  - Other options as proposed by the employer and agreed to by the organization that offers the BWC designation. These services must reduce the rate at which employees drive to work alone and be perceived by employees as a significant workplace benefit, for example, added vacation time for carpoolers or comprehensive shuttle services.
- Providing three or more of the following additional commuter benefits:
  - Active membership in a Transportation Management Association (TMA) or similar organization or participation in a regional air quality initiative
  - Membership in a local ozone awareness program
  - Ridesharing or carpool matching, either in-house or through a local or regional agency
  - Pre-tax transit or vanpool benefits
  - Shuttles from transit stations, either employer-provided or through a local agency

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- Parking at park-and-ride lots or vanpool staging areas
- Preferred parking for carpools and vanpools
- Employer-run van pools or bus programs
- Employer-assisted vanpools
- Secured bicycle parking, showers, and lockers
- Electric bicycle recharging stations
- Discounts/coupons for bicycles and walking shoes
- Compressed work schedules
- Teleworking
- Lunchtime shuttle
- Proximate commute (working closer to home)
- Incentive to encourage employees to live closer to work
- On-site amenities (dry cleaning, etc.)
- Concierge services
- Participation/membership in a car-sharing program
- Other options as proposed by the employer
- Employers also commit to ensuring that within 18 months of applying for the BWC designation, at least 14 % of their employees will not be driving alone to work.
- Employers do not need to have a BWC designation to offer employees tax-free transportation benefits.

Employers can apply for a Best Workplaces for Commuters™ designation by e-mailing the *Center for Urban Transportation Research* at: [info@bestworkplaces.org](mailto:info@bestworkplaces.org).

## Information and Contacts

The IRS code that governs employer provided commuter benefits is found at 26 USC Section 132(f), and is available at [www.uscode.house.gov/usc.htm](http://www.uscode.house.gov/usc.htm) or [www.tmi.cob.fsu.edu/lact/f\\_benefit.htm](http://www.tmi.cob.fsu.edu/lact/f_benefit.htm).

The American Recovery and Reinvestment Tax Act of 2009 features a provision amending the Federal Tax Code, section 132, to allow an increase from the current limit of \$120 per month to \$230 per month in tax-free transportation fringe benefits, per employee, for transit or vanpool expenses. An overview can be found at <http://www.thompson.corulpublicnewsbrief.jsp?cat=BENEFITS&id=2075>.

For more information relating to qualified transportation fringe benefits in Section 132(f), visit the Internal Revenue Service (IRS) website at [www.irs.gov](http://www.irs.gov). This site contains useful information regarding the tax treatment of fringe benefits. Some publications available from the IRS that may be useful include:

- Publication 15a, Employer's Supplemental Tax Guide-Section 6, Employee Fringe Benefits: [www.irs.gov/pub/irs-pdf/p15a.pdf](http://www.irs.gov/pub/irs-pdf/p15a.pdf).
- Publication 15b, Employer's Tax Guide to Fringe Benefits-Transportation Commuting Benefits: [www.irs.gov/pub/irs-pdf/p15b.pdf](http://www.irs.gov/pub/irs-pdf/p15b.pdf).
- Final Regulation Concerning Qualified Transportation Fringe Benefits Issued January 11, 2001: [www.fwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2001\\_register&docid=01294-filed](http://www.fwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2001_register&docid=01294-filed).

For additional information relating to qualified commuter benefits in Section 132(f), send a written request to: Freedom of Information Reading Room, PO Box 795, Ben Franklin Station Washington DC, 20044b, or contact Patricia Holtzworth at the IRS at 202-622-6040.



## Internal Revenue Code Section 132(F)

### Qualified Transportation Fringe Benefit

1. The term "qualified transportation fringe benefit" means transportation in a commuter highway vehicle if such transportation is in connection with travel between the employee's residence and place of employment or any transit pass, provided by an employer to an employee
2. The term "qualified transportation fringe benefit" includes a cash reimbursement by an employer to an employee for a benefit described in item 1. The preceding sentence shall apply to a cash reimbursement for any transit pass only if a voucher or similar item which may be exchanged only for a transit pass is not readily available for direct distribution by the employer to the employee.
3. No amount shall be included in the gross income of an employee solely because the employee may choose between any qualified transportation fringe benefit and compensation which would otherwise be includible in gross income of such employee.
4. The term "transit pass" means any pass, token, fare-card, voucher or similar item entitling a person to transportation (or transportation at a reduced price) if such transportation is on mass transit facilities (whether or not publicly owned) or provided by any person in the business of transporting persons for compensation or hire if such transportation is provided in a vehicle with the seating capacity of at least six adults (not including the driver).
5. The term "commuter highway vehicle" means any highway vehicle with the seating capacity of at least six adults (not including the driver), and at least 80 percent of the mileage use of which can reasonably be expected to be for purposes of transporting employees in connection with travel between their residence and their place of employment, on trips during which the number of employees transported for such purposes is at least one-half of the adult seating capacity of such vehicle (not including the driver).
6. The term "qualified parking" means parking provided to an employee on or near the business premises of the employer or on near a location from which the employee commutes to work by transportation on mass transit facilities (whether or not publicly owned), or provided by any person in the business of transporting persons for compensation or hire if such transportation is provided in a vehicle with the seating capacity of at least six adults (not including the driver), or in a commuter highway vehicle. or by carpool. Such term shall not include any parking on or near property used by the employee for residential purposes.
7. Transportation in a commuter highway vehicle if such transportation is in connection with travel between the employee's residence and place of employment or any transit pass shall be considered to be provided by an employer if such transportation is furnished in a commuter highway vehicle operated by or for the employer.