2014 Commuter Benefits

Implementing Commuter Benefits as Part of Best Workplaces for Commuters

BEST Workplaces for Commuters℠

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TABLE OF CONTENTS

EXECUTIVE SUMMARY ii

NATIONAL STANDARD OF EXCELLENCE FOR COMMUTER BENEFITS 1

INTRODUCTION 3

QUALIFIED TRANSPORTATION FRINGE BENEFITS 5

- Transit Passes 5
- Commuter Highway Vehicle Expenses 5
- Qualified Parking Expenses 5
- Qualified Bicycle Commuting Expenses 5
- Tax-Free Limits and Adjustments 6

TAX SAVINGS FOR EMPLOYERS AND EMPLOYEES 7

TAX BENEFITS OF EMPLOYEE PRE-TAX DEDUCTIONS 9

FREQUENTLY ASKED QUESTIONS 11

PROFILES OF ORGANIZATIONS PROVIDING SUBSIDIZED COMMUTING BENEFITS 17

EIGHT STEPS TO STARTING A COMMUTER BENEFIT PROGRAM AS A PRE-TAX PAYROLL DEDUCTION 21

EFFECTS OF COMMUTER BENEFITS ON TRAVEL BEHAVIOR 23

RESOURCES 25

APPENDIX A: A BRIEF HISTORY OF QUALIFIED TRANSPORTATION FRINGE BENEFITS 27

ACKNOWLEDGMENTS 30

EXECUTIVE SUMMARY

As revised for 2014, the U.S. federal tax code (Internal Revenue Code Section 132(f)) allows employers to provide Qualified Transportation Fringe Benefits (commuter benefits) of up to $130 per month per employee for transit and commuter highway vehicle (e.g., vanpool) expenses and up to $250 per month for parking and to reimburse employees up to $20 per month tax-free for eligible bicycle expenses as long as those employees are not receiving any other Qualified Transportation Fringe Benefit. An employer can pay for (subsidize) commuting expenses related to transit, vanpool, parking, and biking or can allow employees to set aside income on a pre-tax basis to cover transportation costs, similar to a 401 (K) contribution. Employers and employees also can share the cost, with the employer providing a pre-determined subsidy and the employee electing a pre-tax deduction up to the monthly maximum.

Both employees and employers benefit from these allowances. Since the value of the benefit paid to employees is considered to be a tax-free transportation fringe benefit and not wage or salary compensation, payroll taxes do not apply. Allowing employees to reserve income on a pre-tax basis also saves employers payroll taxes.

Providing an employee with commuter benefits is less expensive for an employer than raising the employee's salary by a similar amount since the employer does not pay federal income or payroll taxes on the value of the fringe benefit. An employee who reserves income on a pre-tax basis for a qualified transportation fringe benefit also saves money since he or she does not pay federal income or payroll taxes on the income reserved. Several states also provide employers with tax credits for offering commuter benefit programs.

Providing transit and/or vanpool benefits is among the primary benefits that employers that participate in Best Workplaces for Commuters℠ can offer their employees. Employers must offer at least one of six primary benefits to their employees to be recognized as one of the Best Workplaces for Commuters℠.

NATIONAL STANDARD OF EXCELLENCE FOR COMMUTER BENEFITS

This document is one in a series of briefing papers designed to help employers who participate in Best Workplaces for Commuters℠ (BWC) implement commuter benefits. Best Workplaces for Commuters℠ is managed by the National Center for Transit Research (NCTR) at the Center for Urban Transportation Research at the University of South Florida.

In 1999, 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 that form the basis of BWC. The National Center for Transit Research has enhanced these standards to reflect additional ways in which workplaces may be designated as Best Workplaces for Commuters℠.

Commuter benefits encourage American workers to 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. Employers that meet the National Standard of Excellence earn the BWC designation by agreeing to provide one or more of the following primary commuter benefits:

- At least $30 per month towards a transit pass or vanpool pass (or the full cost of a pass if less than $30) to each employee who commutes using transit or a vanpool.
- A pre-tax purchase of a monthly transit pass or vanpool pass of at least $30 per month (or the full cost of a pass if less than $30) by at least 30% of employees.
- A significant telework program that reduces the number of commuting trips employees make by at least 6%.
- A significant compressed work week program that reduces the number of commuting trips employees make by at least 6%.
- At least $30 per month to each employee who leaves his/her car at home and commutes another way (in lieu of providing a parking spot).
- An equivalent benefit that provides similar value to employees, reduces traffic and air pollution, and is agreed to by BWC.

Employers must also:

- Centralize commute options information so it is easy for employees to access and use.
- Promote the availability of commuter benefits.
- Provide access to an emergency ride home (ERH) program.
- Commit to ensuring that at least 14% of its employees are not driving alone to work within 18 months of applying.
- Offer three supporting benefits such as carpool matching, shuttles, and on-site amenities (e.g., cafeteria, dry cleaners). If the employer has fewer than 20 employees, it needs to provide only one supporting benefit from the list below:
  - Active membership in a Transportation Management Association (TMA) or participation in a voluntary regional air quality program (e.g., Spare the Air, Air Awareness, SEQL, Clean Air Coalition) or another employer-based commuter program.
  - Active membership in a local ozone awareness program, in which the employer agrees to notify

employees of expected poor air quality and suggests ways that they might minimize polluting behaviors.

- Ridesharing or carpool matching, either in-house or through an outside organization.
- Pre-tax transit subsidy deducted from employee paycheck.
- Pre-tax vanpool subsidy deducted from employee paycheck.
- Transit benefits of less than $30 per month (or less than the full cost if less than $30).
- Vanpool benefits of less than $30 per month (or less than the full cost if less than $30).
- Cash in lieu of an employer-provided parking spot in an amount less than $30 per month (or less than 75% of the actual parking benefit).
- Shuttles from transit stations, either employer-provided or through a local TMA or similar service provider.
- Parking at park-and-ride lots or vanpool staging areas.
- Provision of real-time (i.e., intelligent) commuting information.
- Preferred workplace parking for carpools and vanpools.
- Reduced workplace parking costs for carpools and vanpools.
- Employer-supported vanpools, provided in-house.
- Employer-supported vanpools, provided by an outside organization.
- Employer-provided membership in a car-sharing program (see *www.carsharing.net*).
- Secure bicycle parking, showers, and lockers.
- Electric bicycle recharging stations.
- Employee commuting awards programs.
- Discounts and coupons for bicycles for bicyclists or shoes for walkers.
- Compressed work schedules.
- Telework program that reduces commute trips by less than 6%.
- Lunchtime shuttle.
- Proximate commute (employees work at locations closer to their homes).
- Incentives to encourage employees to live closer to work.
- Incentives to encourage employees to use alternative transportation (e.g., additional vacation time).
- On-site amenities (e.g., convenience mart, dry cleaning, etc.).
- Concierge services.
- Bikesharing program.
- Active promotion and participation in healthy initiatives to encourage and increase employee walking and bicycling.
- Other proposed options.

INTRODUCTION

Section 132(f) of the Internal Revenue Code allows employers to provide tax-free benefits to employees related to transit, vanpools, parking, and bike-to-work; these Qualified Transportation Fringe Benefits are commonly referred to as commuter benefits. Businesses may deduct the administrative cost of these employer-paid benefits from their gross income for purposes of taxation. Both the employer and employee save on taxes since they do not pay federal income or payroll taxes on these benefits.

Under the tax code, employers may offer these Qualified Transportation Fringe Benefits in one of six ways:

1. Subsidize an employee up to $130 per month for transit and commuter highway vehicles (e.g., vanpool).
2. Subsidize an employee up to $250 per month for parking.
3. Allow an employee to reduce his or her income on a pre-tax basis to cover the costs of transit and vanpools up to $130 per month.
4. Allow an employee to reduce his or her income on a pre-tax basis to cover the costs of parking up to $250 per month.
5. Share the costs of the benefit with the employee; under current law, transit and vanpool expenses up to $130 per month and/or qualified parking expenses up to $250 per month are tax-free.
6. Reimburse an employee up to $20 per month ($240 per year) for eligible expenses incurred for bicycling to work on a regular basis.

Best Workplaces for Commuters does not provide professional tax consultation. You should contact your attorney and tax professional to receive expert tax advice.

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Get the Recognition Your Organization Deserves As One of the BEST

Does your organization help employees with their commute? Apply to be recognized as Best Workplaces for Commuters.

If your organization meets the National Standard of Excellence by offering commuter benefits, your organization will exclusively receive:

- **National public recognition** for being commuter-friendly and socially responsible
- **Race to Excellence**: Participate and receive recognition at a "Live" National Awards Ceremony
- **Web conferences and training** to help you implement commuter benefits
- **Help desk** to answer program questions and provide tips and resources
- **Networking** opportunities with peers
- **Commuter Benefit Briefs** that provide detailed information on tax benefits associated with commuting options such as transit, vanpools, carpools, parking cash-out, telework, and emergency ride home programs.

QUALIFIED TRANSPORTATION FRINGE BENEFITS

According to the Internal Revenue Code Section 132(f), employer-paid reimbursements or payments for qualified commuter benefits are excludable from income for purposes of taxation. Types of qualified commuter benefits include reimbursement or payment for the following.

Transit Passes

Transit passes include any vouchers, passes, farecards, tokens, or related items that employees can use to pay for transportation on mass transit facilities or transportation provided by a person in the business of transporting persons for compensation or hire if such transportation has a seating capacity of at least six adults (not including the driver). Transit agency "smart cards" are also included.

Commuter Highway Vehicle Expenses

IRS Code Section 132(f) defines transportation in a commuter highway vehicle as:

> "transportation provided by an employer to an employee in connection with travel between the employee's residence and place of employment. A commuter highway vehicle is a highway vehicle with a seating capacity of at least six adults (excluding the driver) and with respect to which at least 80 percent of the vehicle's mileage for a year is reasonably expected to be—
>
> (a) For transporting employees in connection with travel between their residences and their place of employment; and
>
> (b) On trips during which the number of employees transported for commuting is at least one-half of the adult seating capacity of the vehicle (excluding the driver)."

Section 132(f) is generally viewed as applying to vanpools, but large carpools could be eligible as well. Based on the definition above, any 7-passenger vehicle (e.g., large SUV) with 4 riders and meeting the 80 percent mileage requirement would qualify.

Qualified Parking Expenses

The IRS defines *qualified parking* as parking provided to an employee by an employer on or near the employer's business premises or at a location from which the employee commutes to work (such as a park-and-ride lot). Qualified parking does not include the value of parking provided to an employee that is excludable from gross income as a working condition fringe benefit. It also does not include reimbursement paid to an employee for parking costs that are excludable from gross income as an amount treated as paid under an accountable plan, such as if the employer provides parking on property that the employer owns or leases; the employer pays for the parking; or the employer reimburses the employee for parking expenses. Parking on or near property used by the employee for residential purposes is not qualified parking.

Qualified Bicycle Commuting Expenses

For any calendar year, a qualified bicycle commuting reimbursement includes any employer reimbursement during the 15-month period beginning with the first day of the calendar year for reasonable expenses incurred by the employee during the calendar year. Reasonable expenses include the purchase of a bicycle and bicycle improvements, repair, and storage. The IRS considers these to be reasonable expenses as long as the bicycle is regularly used for travel between the employee's residence and place of employment. For any employee, a qualified bicycle commuting month is any month the employee regularly

uses the bicycle for a substantial portion of the travel between the employee's residence and place of employment and does not receive reimbursement for a transit pass, transportation in a vanpool, or qualified parking benefits. Generally, an employer can exclude commuter benefits from an employee's wages even if provided in place of pay. However, qualified bicycle commuting reimbursements may not be paid with pre-tax income.

Tax-Free Limits and Adjustments

Under current tax law, transit and vanpool expenses up to $130 per month, qualified parking expenses up to $250 per month, and qualified bicycle commuter reimbursements up to $20 per month are tax-free. For future years, the transit, vanpool and parking limits may increase in $5 increments to adjust for inflation.

TAX SAVINGS FOR EMPLOYERS AND EMPLOYEES

By offering tax-free qualified fringe benefits, both employers and employees can save on taxes. The tax savings depends on the way the benefits are provided to employees—employer-paid, paid by employees through a pre-tax salary deduction, or a combination of both. This section describes how employers and employees save under each of these options. Sample calculations of tax savings are included.

Employers may also deduct the cost of administering the benefit as a business expense for purposes of calculating corporate income taxes, in the same manner that salary payments to employees can be deducted.

Tax Benefits of Employer-Paid Benefits

If an employer pays for the commuter benefit, the value of the benefit is tax-free to the employee and exempt from employer payroll (FICA) taxes. As a result, employer-paid commuter benefits provide more dollars to employees for purchasing transit fares, vanpools fares, and/or parking.

For example, as shown in Figures 1 and 2, an employer that provides $130 per month ($1,560 per year) to an employee as a transit, vanpool, or parking benefit rather than an increase in salary results in the employee having an additional $275 per year to spend

Table 1. Qualified Transportation Fringe Benefits Summary

	Transit	Vanpool	Qualified Parking	Qualified Bicycle Commuting
Incentive Levels	Employees receive up to $130 per month for transit expenses.	Employees receive up to $130 per month[1] for vanpool expenses.	Employees receive up to $250 per month[2] for parking at or near employer's worksite or at a facility from which employee commutes via transit, vanpool, or carpool.	Employees receive up to $20 per **qualified bicycle commuting month**. Includes any employer reimbursement during 15-month period beginning 1st day of calendar year for **reasonable expenses** incurred by employee during calendar year.
Employer Tax Benefit	Employers giving employees up to $130 per month[1] to commute via transit get a tax deduction and save over providing the same value in gross income. **OR**		Employers giving employees up to $250 per month[2] for qualified parking get a tax deduction and save over providing the same value in gross income. **OR**	Employers reimbursing up to $20/month for qualified bicycle commuting get a tax deduction and save over providing the same value in gross income. (Qualified bicycle reimbursements cannot be funded through employee pre-tax income.)
	Employers may allow employees to use pre-tax income to pay for transit, vanpool, and/or parking. Employers save on payroll tax (at least 7.65% savings). **OR**			
	A combination of both up to statutory limits.			
Employee Tax Benefit	Employees receive up to $130 per month[1] tax-free for transit or vanpool (not included in W-2). **OR**		Employees receive up to $250 per month[2] tax-free (not included on W-2). **OR**	Employees receive up to $20 per month for reasonable expenses related to commuting by bicycle.
	Employees pay for commute benefit with pre-tax income and save on income tax. **OR**			
	Combination of both up to statutory limits.			

on commuter benefits. The employer saves $119 per year in payroll taxes. Both the commuter benefit and the salary increase may be deducted by the employer as a business expense for purposes of calculating corporate income taxes.

Some transit-voucher providers charge an administrative fee for the vouchers, resulting in a slight increase in cost to the employer; however, some transit agencies offer discounts for purchasing transit passes in bulk, which would lower the cost. Some states and localities also offer employer tax credits, further lowering the cost to the employer.

Under IRS Code, an employee who pays to park at a qualified parking area (such as a transit station) and then takes mass transit or a vanpool to work can receive a combination of transit/vanpool and qualified parking benefits, up to a combined benefit of $380 per month ($130 for the transit/vanpool benefit and $250 per month for parking).

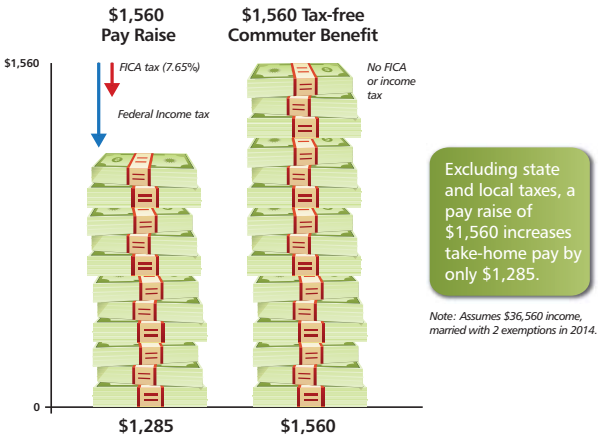

Figure 1.
Pay Raise vs. Commuter Benefit: Employee Perspective

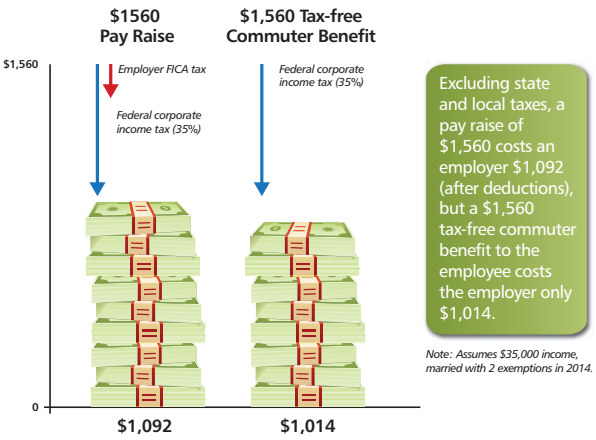

Figure 2.
Pay Raise vs. Commuter Benefit: Employer Perspective

TAX BENEFITS OF EMPLOYEE PRE-TAX DEDUCTIONS

While an employer in BWC must be involved in the *provision* of commuter benefits, it is not obligated to *subsidize* employee commute trips. If an employer chooses not to pay for commuter benefits, it can allow employees to deduct the cost of a transit pass, vanpool fare, and/or parking cost from their pretax income.

Table 2 compares the bottom-line impact on employee take-home pay by purchasing a qualified transportation fringe benefit with pre-tax dollars instead of using after-tax dollars. The results show that an employee participating in a pre-tax plan will see an increase in annual spendable income of $275. This brings the effective transit cost to the employee down from $130 per month to $107 per month, a savings of about 16%. Also, the employer does not pay any payroll (FICA) taxes on the amount of income that

Table 2. Take-Home Pay Increase with/without Pre-Tax Benefit Plan

		Without PreTax Qualified Transportation Fringe Benefit	With PreTax Qualified Transportation Fringe Benefit
STEP 1: *Estimate Taxable Adjusted Gross Income*			
Adjusted Gross Income		$35,000.00	$35,000.00
Pretax Commuter Benefits	+	-	(1,560.00)
Taxable Adjusted Gross Income	=	$35,000.00	$33,440.00
STEP 2: *Estimate Taxable Income Based on Adjusted Gross Income*			
Taxable Adjusted Gross Income		$35,000.00	$33,440.00
Standard deduction	+	(12,400.00)	(12,400.00)
Total exemptions multiplied by withholding allowance ($3,950 for 2014)	+	(7,900.00)	(7,900.00)
Taxable Income		$14,700.00	$13,140.00
STEP 3: *Calculate Federal Taxes on Taxable Income*			
Withholding tax on Taxable Income		(1,470.00)	(1,314.00)
FICA (7.65% of Taxable Gross) on Taxable Income	+	(2,677.50)	(2,558.16)
Total Federal Taxes Paid on Taxable Income	=	(4,147.50)	(3,872.16)
STEP 4: *Estimate Total Net Income*			
Taxable Adjusted Gross Income		$35,000.00	$33,440.00
Total Federal Taxes	+	(4,147.50)	(3,872.16)
Net income	=	$30,852.50	$29,567.84
STEP 5: *Total Spendable Income After Commute Benefits*			
Net Income		$30,852.50	$29,567.84
After Tax Purchase of Commuter Benefits	+	(1,560.00)	-
Spendable Income	=	$29,292.50	$29,567.84
Annual Savings to Employee (difference between pretax and after tax purchase of commuter benefits) Assumes married, 2 exemptions at $35,000 per year			$275.34

is reserved by the employee from taxable income, saving $119 per year in payroll taxes paid on wages.

While employees can take home more pay by using pre-tax income to purchase their transit pass, vanpool fare, or parking, employers can reduce their payroll taxes. The use of pre-tax income by employees means the employer does not have to match the payroll tax portion of that income. For example, as shown in the table below, an employer can reduce its payroll expenditure by about $119 per employee per year for each employee who elects to use pre-tax income to pay for a $130 per month transit pass.

Employer/Employee Cost Sharing

Both employers and employees 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.

Table 3. Take-Home Pay Increase Levels with Pre-Tax Plan

Monthly Commuting Benefit Purchased Using Pre-Tax Income	Annual Increase in Take-Home Pay	
	Married with 2 allowances @$35,000/yr	*Single with 1 allowance @$35,000/yr*
$30	$63.54	$56.34
$50	$105.90	$135.90
$75	$158.85	$203.85
$100	$211.80	$271.80
$130	$275.34	$353.34
$200	$423.60	$543.60
$250	$529.50	$679.50

Table 4. Reduction in Employer Payroll Expenses with Pre-Tax Qualified Transportation Fringe Benefit Plan, per Employee

Monthly Commuting Benefit Level	Annual Employer Savings
$30	$ 27.54
$50	$45.90
$75	$68.85
$100	$91.80
$130	$119.34
$200	$183.60
$250	$229.50

FREQUENTLY ASKED QUESTIONS

The following frequently asked questions were extracted from IRS documentation and updated to reflect the 2014 limits on Qualified Transportation Fringe Benefits.

Q1. Are Qualified Transportation Fringe Benefits treated as federal tax credits for employers?

No. The costs are deductible as ordinary business expense but are not tax credits (i.e., dollar-for-dollar reduction in tax liability).

Q2. May Qualified Transportation Fringe Benefits be provided to individuals who are partners, 2% shareholders of S-corporations, or independent contractors?

Section 132(f)(5)(E) states that self-employed individuals who are employees within the meaning of section 401(c)(1) are not employees for purposes of section 132(f). Therefore, individuals who are partners, sole proprietors, or other independent contractors are not employees for purposes of section 132(f). In addition, under section 132(a), 2% shareholders of S corporations are treated as partners for fringe benefit purposes. Thus, an individual who is both a 2% shareholder of an S corporation and a common law employee of that S corporation is not considered an employee for purposes of section 132(f). However, while section 132(f) does not apply to individuals who are partners, 2% shareholders of S corporations, or independent contractors, other exclusions for working condition and *de minimis* fringes may be available.

Q3. Must a Qualified Transportation Fringe Benefit plan be in writing?

No. Section 132(f) does not require that a Qualified Transportation Fringe Benefit plan be in writing.

Q4. What are the substantiation requirements if an employer distributes transit passes?

There are no substantiation requirements if the employer distributes transit passes. Thus, an employer may distribute a transit pass for each month with a value not more than the statutory monthly limit without requiring any certification from the employee regarding the use of the transit pass. However, an employer may choose to impose more substantiation requirements.

Q5. Are carpools eligible to receive federal commuter benefits?

Generally, carpools are ineligible to receive federal commuter benefits unless the carpool meets the definition of a commuter highway vehicle. That means the vehicle being used must provide transportation in connection with travel between the employee's residence and place of employment. A commuter highway vehicle is a highway vehicle with a seating capacity of at least six adults (excluding the driver) and with respect to which at least 80% of the vehicle's mileage for a year is reasonably expected to be for transporting employees in connection with travel between their residences and their place of employment and on trips during which the number of employees transported for commuting is at least one-half of the adult seating capacity of the vehicle (excluding the driver). In other words, it must be at least a four-person carpool in a large seven-passenger vehicle like a minivan, SUV or crossover

Q6. May an employee whose qualified transportation fringe costs are less than the employee's compensation reduction carry over this excess amount to subsequent periods?

Yes. Under Section 132(f), Qualified Transportation Fringe Benefits, an employee may carry over unused compensation reduction

amounts to subsequent periods under the plan of the employee's employer. The following example illustrates this principle. By an election made before November 1 of a year for which the statutory monthly mass transit limit is $130, Employee E elects to reduce compensation in the amount of $130 for the month of November. Employee E incurs $115 in employee-operated commuter highway vehicle expenses during November, for which Employee E is reimbursed $115 by Employer R, Employee E's employer. By an election made before December, Employee E elects to reduce compensation by $130 for the month of December. Employee E incurs $130 in employee-operated commuter highway vehicle expenses during December for which Employee E is reimbursed $130 by Employer R. Before the following January, Employee E elects to reduce compensation by $115 for the month of January. Employee E incurs $130 in employee-operated commuter highway vehicle expenses during January for which Employee E is reimbursed $130 by Employer R because Employer R allows Employee E to carry over to the next year the $15 amount by which the compensation reductions for November and December exceeded the employee-operated commuter highway vehicle expenses incurred during those months. In this example, because Employee E is reimbursed in an amount not exceeding the applicable statutory monthly limit, and the reimbursement does not exceed the amount of employee-operated commuter highway vehicle expenses incurred during the month of January, the amount reimbursed ($130) is excludable from Employee E's wages for income and employment tax purposes.

Q7. How does section 132(f) apply to expense reimbursements?

IRS rules regarding expense reimbursement for Qualified Transportation Fringe Benefits are as follows:

In general, the term Qualified Transportation Fringe includes cash reimbursement by an employer to an employee for expenses incurred or paid by an employee for transportation in a commuter highway vehicle or qualified parking. The term Qualified Transportation Fringe also includes cash reimbursement for transit passes made under a bona fide reimbursement arrangement, but, in accordance with section 132(f)(3), only if permitted if it meets the special rule for transit passes below, under paragraph (b) of this Q/A–16. The reimbursement must be made under a bona fide reimbursement arrangement that meets the rules of paragraph (c) of this Q/A–16. A payment made before the date an expense has been incurred or paid is not a reimbursement. In addition, a bona fide reimbursement arrangement does <u>not</u> include an arrangement that is dependent solely upon an employee certifying in advance that the employee will incur expenses at some future date.

Q8. What is the special rule for transit passes as it relates to expense reimbursements?

The term Qualified Transportation Fringe includes cash reimbursement for transit passes made under a bona fide reimbursement arrangement, but, in accordance with section 132(f)(3), only if no voucher or similar item that may be exchanged only for a transit pass is readily available for direct distribution by the employer to employees. If a voucher is readily available, the requirement that a voucher be distributed in-kind by the employer is satisfied if the voucher is distributed by the employer or by another person on behalf of the employer (for example, if a transit operator credits amounts to the employee's fare card as a result of payments made to the operator by the employer).

Q9. What are "voucher or similar item" and "voucher provider"?

For purposes of the special rule above, a transit system voucher is an instrument that may be purchased by employers from a voucher provider that is accepted by one or more mass transit operators (e.g., train, subway,

bus) in an area as fare media or in exchange for fare media. Thus, for example, a transit pass that may be purchased by employers directly from a voucher provider is a transit system voucher. The term voucher provider means any person in the trade or business of selling transit system vouchers to employers or any transit system or transit operator that sells vouchers to employers for the purpose of direct distribution to employees. Thus, a transit operator might or might not be a voucher provider. A voucher provider is not, for example, a third-party employee benefits administrator that administers a transit pass benefit program for an employer using vouchers that the employer could obtain directly.

Q10. What is meant by "readily available" with respect to expense reimbursements?

A voucher or similar item is readily available for direct distribution by the employer to employees if and only if an employer can obtain it from a voucher provider that does not impose fare media charges that cause vouchers to not be readily available as described in Q11 below and does not impose other restrictions that cause vouchers to not be readily available as described below.

Q11. What are "fare media charges"?

Fare media charges relate only to fees paid by the employer to voucher providers for vouchers. The determination of whether obtaining a voucher would result in fare media charges that cause vouchers to not be readily available as described above is made with respect to each transit system voucher. If more than one transit system voucher is available for direct distribution to employees, the employer must consider the fees imposed for the lowest cost monthly voucher for purposes of determining whether the fees imposed by the voucher provider satisfy this paragraph. However, if transit system vouchers for multiple transit systems are required in an area to meet the transit needs of the individual employees in that area, the employer has the option of averaging the costs applied to each transit system voucher for purposes of determining whether the fare media charges for transit system vouchers satisfy this paragraph. Fare media charges are described in this paragraph and therefore cause vouchers to not be readily available if and only if the average annual fare media charges that the employer reasonably expects to incur for transit system vouchers purchased from the voucher provider (disregarding reasonable and customary delivery charges imposed by the voucher provider, e.g., not in excess of $15) are more than 1% of the average annual value of the vouchers for a transit system.

Q12. Are there other restrictions that cause vouchers to not be readily available?

Yes. See Q13 through Q15 below for examples.

Q13. Do advance purchase requirements cause vouchers to not be readily available for the purposes of expense reimbursement?

Advance purchase requirements cause vouchers to not be readily available only if the voucher provider does not offer vouchers at regular intervals or fails to provide the voucher within a reasonable period after receiving payment for the voucher. For example, a requirement that vouchers may be purchased only once per year may effectively prevent an employer from obtaining vouchers for distribution to employees. An advance purchase requirement that vouchers be purchased not more frequently than monthly does not effectively prevent the employer from obtaining vouchers for distribution to employees.

Q14. Do minimum purchase quantities cause vouchers to not be readily available for the purposes of expense reimbursement?

Purchase quantity requirements cause vouchers to not be readily available if the voucher provider does not offer vouchers in quantities that are reasonably appropriate to the number of the employer's employees

who use mass transportation (for example, the voucher provider requires a $1,000 minimum purchase and the employer seeks to purchase only $200 of vouchers).

Q15. Do limitations in available denominations of vouchers cause vouchers to not be readily available for the purposes of expense reimbursement?

If the voucher provider does not offer vouchers in denominations appropriate for distribution to the employer's employees, vouchers are not readily available. For example, vouchers provided in $5 increments up to the monthly limit are appropriate for distribution to employees, while vouchers available only in a denomination equal to the monthly limit are not appropriate for distribution to employees if the amount of the benefit provided to the employer's employees each month is normally less than the monthly limit.

Q16. If our company determines we can make cash reimbursements for one of the above reasons, what substantiation requirements must we follow?

Employers that make cash reimbursements must establish a bona fide reimbursement arrangement to establish that their employees have, in fact, incurred expenses for transportation in a commuter highway vehicle, transit passes, or qualified parking. For purposes of section 132(f), whether cash reimbursements are made under a bona fide reimbursement arrangement may vary depending on the facts and circumstances, including the method or methods of payment utilized within the mass transit system. The employer must implement reasonable procedures to ensure that an amount equal to the reimbursement was incurred for transportation in a commuter highway vehicle, transit passes, or qualified parking. The expense must be substantiated within a reasonable period of time. An expense substantiated to the payor within 180 days after it has been paid will be treated as having been substantiated within a reasonable period of time. An employee certification at the time of reimbursement in either written or electronic form may be a reasonable reimbursement procedure depending on the facts and circumstances.

Q17. What are examples of reasonable reimbursement procedures?

Following are examples of reasonable reimbursement procedures. In each case, the reimbursement is made at or within a reasonable period after the end of the events described above. (1) An employee presents to the employer a parking expense receipt for parking on or near the employer's business premises, the employee certifies that the parking was used by the employee, and the employer has no reason to doubt the employee's certification. (2) An employee either submits a used time-sensitive transit pass (such as a monthly pass) to the employer and certifies that he or she purchased it or presents an unused or used transit pass to the employer and certifies that he or she purchased it and the employee certifies that he or she has not previously been reimbursed for the transit pass. In both cases, the employer has no reason to doubt the employee's certification. (3) If a receipt is not provided in the ordinary course of business (e.g., if the employee uses metered parking or if used transit passes cannot be returned to the user), the employee certifies to the employer the type and the amount of expenses incurred, and the employer has no reason to doubt the employee's certification.

Q18. We have several facilities. Could we offer qualified commuter benefits to one facility but not the others?

Yes.

Q19. Could we vary the amount between facilities or types of employees?

Yes. An employer may provide benefits of any amount, or provide no assistance, in the purchase of vouchers.

Q20. 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 purposes if the employer distributes transit passes to the employee in advance for not more than three months. At the time the passes are distributed, there cannot be an established date that the employee's employment will terminate (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 $390 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 ($130) is excludable from the employee's wages for employment tax purposes. However, the value of the transit passes distributed for June ($130) 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 $130 is included in the employee's wages for both income and employment tax purposes.

Q21. 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, distributing transit passes or vouchers, etc. 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, finding and/or training someone to drive the vehicle, and any additional insurance expenses.

Q22. Does a qualified commuter benefits plan have to be in writing?

No. The Internal Revenue 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 benefit program operates. For example, an employer 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
- 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.

Q23. 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 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, FUTA, and federal income tax withholding and are reported on the employee's Form W-2, Wage and Tax Statement. Also, cash reimbursements to employees (for example, cash reimbursement for qualified parking) 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 amounts 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.

PROFILES OF ORGANIZATIONS PROVIDING SUBSIDIZED COMMUTING BENEFITS

The following summary of subsidized commuting was extracted from "Quality of Life Benefits: Access, Civilian Workers" table from the Bureau of Labor Statistics' National Compensation Survey, March 2013.

Share of Workers with Access to Subsidized Commuting Benefits: National Compensation Survey, March 2013 (All workers = 100%)

Characteristics	Civilian Workers[1]	Private Industry Workers	State/Local Government Workers
All Workers	6	6	11
Worker Characteristics			
Management, professional, and related	11	11	9
Management, business, and financial	15	15	NA
Professional and related	9	10	8
Teachers	6	NA	5
Primary, secondary, and special education	3	NA	3
Registered nurses	9	NA	NA
Service	4	3	10
Protective service	10	6	13
Sales and office	7	6	16
Sales and related	3	3	NA
Office and administrative support	9	8	16
Natural resources, construction, and maintenance	3	3	12
Construction, extraction, farming, fishing, forestry	3	2	NA
Installation, maintenance, and repair	3	3	NA
Production, transportation, and material moving	3	2	13
Production	3	3	NA
Transportation and material moving	3	2	NA
Full time	8	7	11
Part time	3	2	6
Union	9	5	13
Nonunion	6	6	8

Characteristics	Civilian Workers[1]	Private Industry Workers	State/Local Government Workers
Average wage within the following categories:[2]			
Lowest 25 percent	2	2	5
Lowest 10 percent	1	1	3
Second 25 percent	5	4	14
Third 25 percent	9	7	13
Highest 25 percent	12	12	11
Highest 10 percent	14	15	10
Establishment Characteristics			
Goods-producing industries	3	3	NA
Construction	NA	2	NA
Manufacturing	NA	3	NA
Service-providing industries	7	6	11
Trade, transportation and utilities	NA	2	NA
Wholesale trade	NA	4	NA
Retail trade	NA	1	NA
Transportation and Warehousing	NA	3	NA
Utilities	NA	19	NA
Information	NA	12	NA
Financial activities	NA	19	NA
Finance and insurance	NA	23	NA
Credit intermediation and related activities	NA	22	NA
Insurance carriers and related activities	NA	21	NA
Real estate and rental and leasing	NA	5	NA
Professional and business services	NA	9	NA
Professional and technical services	NA	17	NA
Administrative and waste services	NA	---	NA
Education and health services	6	6	7
Educational services	8	14	6
Elementary and secondary schools	3	NA	2
Junior colleges, colleges, and universities	18	22	---
Health care and social assistance	6	5	15
Hospitals	13	NA	--
Leisure and hospitality	NA	3	NA
Accommodation and food services	NA	3	NA
Other Services	NA	5	NA
Public administration	17	NA	17
1 to 99 workers	3	3	4
1 to 49 workers	3	3	5

Characteristics	Civilian Workers[1]	Private Industry Workers	State/Local Government Workers
50 to 99 workers	3	3	4
100 workers or more	9	9	12
100 to 499 workers	5	5	6
500 workers or more	14	14	13
State government	NA	NA	20
Local government	NA	NA	7
Geographic Areas			
New England	9	9	5
Middle Atlantic	8	9	5
East North Central	5	4	14
West North Central	5	4	---
South Atlantic	5	5	5
East South Central	4	4	NA
West South Central	3	2	5
Mountain	9	7	21
Pacific	11	8	26

[1] Includes workers in the private nonfarm economy except those in private households, and workers in the public sector, except the federal government.
[2] Categories are based on the average wage for each occupation surveyed, which may include workers with earnings both above and below the threshold. The average wages are based on the estimates published in the"National Compensation Survey: Employer Costs for Employee Compensation, March 2013"
NOTE: Dash indicates no workers in this category or data did not meet publication criteria. For definitions of major plans, key provisions, and related terms, see the "Glossary of Employee Benefit Terms" at *www.bls.gov/ncs/ebs/glossary20122013.htm.*

Source: Quality of Life Benefits: Access, National Compensation Survey, March 2013, Bureau of Labor Statistics
http://www.bls.gov/ncs/ebs/benefits/2013/ebbl0052.pdf
(accessed January 3, 2014)

There are many advantages to employer commuter benefit programs, including providing tax savings to the employer and the employee, supporting corporate sustainability efforts, reducing on-site traffic congestion/managing parking demand, and improving employee recruitment and retention efforts. In addition, if an employer is in the process of relocating, it can reduce employee turnover. In some areas, there are local requirements to have a program in place.

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EIGHT STEPS TO STARTING A COMMUTER BENEFIT PROGRAM AS A PRE-TAX PAYROLL DEDUCTION

Following are steps employers can take to start a commuter benefit program that includes pre-tax payroll deductions:

1. Determine if the commuter benefit program will be staffed completely in-house or contracted to a commuter benefit provider or third-party benefit administrator.
   - In-house staffing may make the most sense for small employers, employers with a single location, employers serviced by one transit provider, and/or when very low employee participation in the program is expected. Reach out to the local transit agency for assistance on acquiring the transit passes. If you are administering the program in-house, determine how to handle a wide range of tasks, from how to enroll employees to how to acquire fare media to how these passes/tokens/vouchers will be distributed.
   - A benefit provider is likely to provide more options and economies of scale. There are two general types of benefit providers: (1) commuter benefit provider that provides these benefits only and (2) third-party benefits administrators that provide flexible spending accounts and other benefits as well as commuter benefits. There are benefit provider companies that offer bulk purchasing of debit cards or vouchers, or there are companies that offer online ordering platforms where employees manage their own accounts and employers receive a monthly payroll file of their activity. Some providers require an agreement, while others do not. Most vendors with an online ordering platform require that employers set up an Automated Clearinghouse (ACH) transfer for payment, while bulk providers allow for check payment. Online programs generally offer options including debit cards (personalized and anonymous) fare media such as monthly passes, vouchers, smart card-loading, and direct payment to vanpools. Employer savings in payroll taxes may offset the benefit providers' costs.
2. Identify key departments and appropriate managers to be involved. Usually this includes human resources/benefits, payroll/accounting, tax/legal, and commute alternatives program representation. Hold a group meeting with them to discuss the program and work out program logistics. Request that the transit agency (if staffing effort internally) or the benefit provider give a presentation on the process.
3. Determine what commuter benefits will be provided by the employer and to whom.
   - An employer may:
     - Subsidize parking costs
     - Subsidize transit fares
     - Subsidize commuter highway vehicle (e.g., vanpool) fares
     - Reimburse eligible bicycle commuting expenses
   - With employer approval, an employee may choose to:
     - Use his or her pre-tax income for parking costs
     - Use his or her pre-tax income for transit fares
     - Use his or her pre-tax income for vanpool fares

- The employer and employee may choose to combine the parking, transit, and commuter highway vehicle benefits up to the tax free limit.
- The commuter benefit as provided by an employer subsidy can apply to employees in a single location or at several locations and at varying amounts based on location.
  - Same dollar level for all locations (e.g., $130 for transit in New York and $130 for transit in Chicago)
  - Different dollar levels for each location (e.g., $130 for transit in New York but $50 for transit in Tampa)
  - Same percentage (e.g., 50% of monthly transit pass) for all locations
  - The commuter benefit may apply to all employees or subsets of employees (e.g., only employees who work in specific locations or only employees with specific job functions (e.g., hard to recruit positions)

4. If employees are using pre-tax income, establish a deduction code for the benefit; consult with your accounting department and/or payroll services. If a program with an online ordering platform is used, the service will also likely generate a payroll file. Ask the transit benefit provider representative for a sample to give the payroll department an idea of what to expect.
5. If a bulk purchasing option is used:
   - Create and distribute a program information and survey form that explains the program, gives the employee the instructions to sign up, allows them to choose how much they want to deduct from their salary, and indicates which option your bulk benefit provider offers (usually debit cards or vouchers).
   - Distribute the benefit to the employees. An assigned staff person can distribute the debit cards or vouchers or the fare media can be attached to employees' paychecks. Because vouchers and debit cards are like cash, it is best not to distribute them through open in-house mailboxes.
6. If a company that offers an online ordering platform is selected, send out an email instructing employees how to set up an account and place their order. Most programs have an option to make orders recurring so employees have to visit the site again only if they want to make changes to their participation.
7. Update the company personnel policy handbook to include a description of the program and the company's participation in it. Be sure to include information related to how to enroll and participate and any other guidelines particular to your company.
8. Market the commuter benefit program to employees through new employee orientations, intranet, benefits fairs, special events such as BWC's Race to Excellence, periodic communications via newsletters/emails, and mailings to employee homes.

Adapted from material provided by Stuart Baker, Commuter Check.

EFFECTS OF COMMUTER BENEFITS ON TRAVEL BEHAVIOR

According to *Analyzing the Effectiveness of Commuter Benefits Programs* (Report 107) from the Transit Cooperative Research Program (TCRP), the overall findings are that commuter benefits programs do the following:

Commuter benefits generally increase transit ridership, but not in all cases. Based on a review of surveys by transit agencies, the study found increases in transit use due to employer-provided transit benefits. However, the range of increases varied from little to no increases to more than double. Individual workplaces also experienced a wide range of effects. The report summarized the finding in this manner:

> "In general, the surveys conducted by transit agencies and other organizations found notable increases in transit use, whereas the worksites in mandatory commute trip reduction areas found that effects ranged from decreases in transit use to increases in transit use and that the effects were very small, on average, across all worksites in these areas. These differences may reflect different characteristics of the worksites and programs being examined, as the worksites in the mandatory commute trip reduction areas were much more likely to be in suburban areas with low starting transit mode shares, tended to provide a low level of financial support, and may have offered a wider range of other employee commute programs (e.g., rideshare matching and telecommuting). It is also possible that many of those worksites continue to offer free parking, which outweighs transit benefits for many commuters."

Commuter benefits help convince commuters who drive alone to ride transit. The good news, from the perspective of encouraging use of non-single occupant vehicles (non-SOV) to reduce congestion and pollution, is that most new transit riders switched from SOV travel. The majority of the new transit riders reported that they commuted to work alone, and, the figure was more than 90% in more than half the surveys.

Commuter benefits induce changes in commute and non-commute behavior. Surveys in Philadelphia and New York City imply that transit benefits recipients tend to foster use in transit for all types of trips. An employer-provided transit benefit makes it convenient to ride transit, particularly if the benefit is without time or trip purpose restrictions. The researchers were unable to determine if there was a similar impact on off-peak-period transit services for smaller transit markets.

The effectiveness in changing travel behavior differs among programs, based on factors including transit availability, level of employer payment, and supporting programs. Transit availability at the workplace appears to correlate positively with the level of increase in transit ridership. High starting transit mode shares at the worksite tend to see larger increases in the number of transit users than suburban areas with lower initial transit mode shares. However, suburban locations often show higher percentage gains in ridership. Little to no change in transit use are most likely to be found in areas that have under 5% of employees using transit before initiating the transit benefit program. This lack of change in transit use may be due to worksite characteristics that are not very conducive to transit. These worksite characteristics can be limited/infrequent transit services, plentiful free parking, or automobile-oriented land use patterns. Employer-subsidized transit benefit programs are more likely to increase employee use of transit than employee-paid pre-tax transit benefits programs. Finally, combining the roll-out of a new transit benefits program with marketing and supporting

services, such as a guaranteed or emergency ride home program, seems to produce a greater increase in ridership than implementing the transit benefit program alone.

Tax Information

The Internal Revenue Code that governs employer provided commuter benefits is found at 26 USC Section 132(f) and is available at *http://uscode.house.gov/search/criteria.shtml*. For more information relating to qualified transportation fringes in Section 132(f), visit the Internal Revenue Service (IRS) website at *www.irs.gov*. This site contains useful information for employers regarding the tax treatment of fringe benefits.

RESOURCES

Publications available from the IRS that may be useful include:

Publication 15b, Employer's Tax Guide to Fringe Benefits—Transportation (Commuting) Benefits—This guide discusses the exclusion rule that applies to benefits employers provide to employees for their personal transportation, such as commuting to and from work. *http://www.irs.gov/publications/p15b/index.html*

Taxable Fringe Benefits Guide—This guide was created by the Internal Revenue Service office of Federal, State and Local Governments (FSLG) to provide governmental entities with a basic understanding of the federal tax rules relating to employee fringe benefits and reporting. Used as a supplement to other IRS publications, the Fringe Benefits Guide can be a helpful tool for anyone responsible for determining the taxability, withholding, and reporting requirements regarding employee fringe benefits. *http://www.irs.gov/pub/irs-tege/fringe_benefit_fslg_2013.pdf*

Final Regulation Concerning Qualified Transportation Fringe Benefits—This is the final regulation for Qualified Transportation Fringe Benefits as published in the Federal Register on January 11, 2001.
http://www.gpo.gov/fdsys/pkg/FR-2001-01-11/pdf/01-294.pdf

Transportation Impacts of Commute Benefits

The Transit Cooperative Research Program of the Transportation Research Board has published two research studies on commuter benefits:

TCRP Report 87 Strategies for Increasing the Effectiveness of Commuter Benefits Programs—This guidebook is intended to assist transportation agencies—transit providers, metropolitan planning organizations, commuter assistance and rideshare organizations, transportation management associations, and others—to increase the effectiveness of their commuter benefits and outreach programs. It is designed to help agencies improve their commuter benefits offerings to better meet employer needs and increase participation through more effective marketing. The guidebook's recommendations are based on interviews with 15 transportation agencies in five metropolitan areas, as well as interviews with 36 employers. This guidebook discusses ways in which agencies can work with employers and develop regional programs that are responsive to employers' needs.
http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp_rpt_87.pdf

TCRP Report 107 – Analyzing the Effectiveness of Commuter Benefits Programs—This report is designed to help employers, transit agencies, other organizations that promote transit benefits and policy makers to better understand the impacts of a transit benefits program and how to quantify these impacts for their own programs. Although the topic of this research study is commuter benefits, broadly defined, data to assess the impacts of vanpool benefits or other financial benefit programs were limited, and, consequently, the focus of this report is on transit benefits programs.

Since the early 1990s, federal legislation and actions have enabled and expanded the range of commuter benefits that employers can offer their employees. This section briefly describes the evolution of the qualified transportation fringe benefits program.
http://onlinepubs.trb.org/onlinepubs/tcrp/tcrp_rpt_107.pdf

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APPENDIX A: A BRIEF HISTORY OF QUALIFIED TRANSPORTATION FRINGE BENEFITS

Pre-1992: Parking is the only Qualified Transportation Fringe Benefit.

Prior to 1992, parking was the only transportation fringe benefit specifically excluded under the federal tax code. The Tax Reform Act of 1984 codified use of transit benefits as a *de minimis* fringe benefit. A *de minimis* benefit is a service or item of such small value or provided so infrequently as to make accounting for it impractical or impossible. As a result, transit benefits were allowed to be offered tax-free to employees as long as they were of small value. The initial *de minimis* value was defined at $15 per month, which was later adjusted to $21 per month. Vanpool benefits were considered neither transportation fringe benefits nor *de minimis* benefits.

1992: Energy Policy Act of 1992 expands Qualified Transportation Fringe

In 1992, Congress passed the Energy Policy Act of 1992 (Pub. L. No. 102-486). This Act was important in that it expanded the term *qualified transportation* fringe to include transit passes and transportation in commuter highway vehicles (i.e., vanpools) in addition to qualified parking. As a result, it allowed employers, for the first time, to offer vanpool benefits tax-free. It also allowed transit passes to be provided to employees tax-free at a higher value than allowed for a *de minimis* fringe. The Act imposed a tax-free limit of $60 per month on transit/vanpool benefits and $155 per month for qualified parking. It provided an inflation adjustment to these limits based on changes in the consumer price index (CPI), with increases to rise in increments of $5. To receive tax-free status, all benefits were required to be offered in addition to, and not in lieu of, salary. The Act applied to benefits provided after December 31, 1992.

1995: Tax-free limit on transit/vanpool benefits rises to $65 per month.

In accordance with the inflation adjustment provisions of the Energy Policy Act of 1992, the monthly tax-free limit for commuter highway vehicles and transit passes was raised from $60 to $65 for tax years beginning in 1996.

1997: Taxpayer Relief Act of 1997

The Taxpayer Relief Act of 1997 (Pub. L. No. 105-34) amended the federal tax code to allow qualified parking to be provided to employees in lieu of salary beginning December 31, 1997. As noted above, the tax code previously stated that transportation fringe benefits could not be taken in lieu of salary. As a result, prior to 1998, the tax code created a major barrier for employers that wanted to offer their employees cash in lieu of parking (parking cash out): if they offered a choice of cash or parking, all employer-provided parking would become taxable. By allowing parking benefits to be taken in lieu of salary, the Taxpayer Relief Act of 1997 allowed employers to offer their employees the option of accepting taxable cash income in lieu of a parking space at work, while maintaining the tax-free status of the parking benefit. The employer would only have to pay taxes on the cash payment, not the parking benefit.

1998: Transportation Equity Act for the 21st Century (TEA-21)

The Transportation Equity Act for the 21st Century (Public Law 105-178), which was enacted on June 9, 1998, amended the Internal Revenue Code to allow any qualified transportation fringe to be provided in lieu of salary. Just as the Taxpayer Relief Act of 1997 allowed qualified parking benefits to be taken in lieu of income, TEA-21 expanded this to also allow transit pass and commuter

highway vehicle benefits to be taken in lieu of other monetary compensation. The Act also raised the tax-free limit on transit pass and commuter highway vehicle benefits from $65 to $100 per month, starting in 2002. (For 2005, the tax-free limit increased to $105 per month for transit/vanpool benefits and $200 per month for qualified parking.)

1999: Commuter Choice Initiative launched.

In 1999, the federal government started the Commuter Choice Initiative. As part of this, the Federal Transit Administration (FTA) released the Commuter Choice Toolkit and the U.S. Environmental Protection Agency, in collaboration with the U.S. Department of Transportation, initiated the Commuter Choice Leadership Program to honor employers providing commuting benefits to their employees.

2001: Final Regulation: Qualified Transportation Fringe Benefits.

On January 11, 2001, the IRS issued final regulations concerning Qualified Transportation Fringe Benefits and their excludability from employees' gross income. The regulations provide rules to ensure that transportation benefits provided to employees are excludable from gross income. These regulations provide clarification regarding under what circumstances transportation fringes may be provided pursuant to a compensation reduction agreement, the ability to carry over excess amounts to subsequent periods, reporting requirements, and use of cash payments rather than transit vouchers or passes.

2002: Best Workplaces for Commuters℠ unveiled.

In 2002, the U.S. Environmental Protection Agency and the U.S. Department of Transportation unveiled the Best Workplaces for Commuters list, a list to honor and recognize employers who offer their employees outstanding commuting benefits. Participating companies earn the designation Best Workplaces for Commuters, a mark of excellence for environmentally- and employee-friendly organizations. The program builds on the efforts of many top employers to help get employees to work safely, on time, and free of commute-related stress. It provides the tools, guidance, and promotion necessary to help U.S. employers of any size incorporate commuter benefits into their standard benefits plan, reap financial benefits, and gain national recognition. The list replaces and builds upon the work begun by the Commuter Choice Leadership Initiative to recognize employers who offer their employees outstanding commuting benefits.

2002–2009: Periodic Inflation adjustments of $5 raised the cap from $65 to $120.

2007: University of South Florida begins managing Best Workplaces for Commuters℠. In October 2007, the National Center for Transit Research at the University of South Florida assumed control of the program when EPA was forced to discontinue its participation due to budget cuts.

2009: Transit and vanpool benefits placed on par with parking; bicycle reimbursement added.

Under the American Recovery and Reinvestment Act (ARRA), the monthly tax exclusion for employer-provided commuter highway vehicle transportation and transit pass benefits increased to $230, effective from March–December 2010. Previously, there were two separate monthly exclusion amounts, one for transit passes and commuter highway transportation such as commuter vans and a different one for qualified parking. The exclusion amount for qualified parking was set at a higher rate. The new law made all the exclusion amounts equal and set them at the higher rate for qualified parking. The law provided the equal benefits through December 31, 2010. According to the IRS, "Employees may exclude from income $230 per month in transit benefits and $230 per month in parking benefits––up to a maximum of $460 per month. Employees may receive benefits for commuter transportation and transit passes and benefits for parking during the same month; they are not mutually exclusive."

Beginning January 1, 2009, employees may be reimbursed for reasonable expenses of qualified bicycle commuting up to $20 per qualified bicycle commuting month. Reasonable expenses include the purchase of a bicycle and bicycle improvements, repair, and storage. The exclusion for a calendar year is $20 multiplied by the number of qualified bicycle commuting months during that year. A qualified bicycle commuting month is any month the employee uses the bicycle regularly for a substantial portion of the travel between his or her residence and place of employment and he or she does not receive any of the other Qualified Transportation Fringe Benefits. Employees are not entitled to this exclusion if the reimbursement for bicycle commuting is made under a compensation reduction agreement.

2012: Transit and vanpool benefits reduced and parking benefits increased.

Congress did not act by the end of 2011 to extend the parity among transit, vanpool, and parking benefits that was established in 2009 and extended through 2011. As a result, the transit and commuter highway vehicle benefits were rolled back to the pre-ARRA level of $120, then adjusted for inflation by the IRS to a maximum of $125 per month. Parking was already at $230 prior to ARRA, so the 2012 IRS-adjusted level is $240 for 2012. The bicycle reimbursement level remains at $20 per month.

2013: Parity among transit, vanpool and parking benefits reinstated.

The American Taxpayer Relief Act of 2012 re-instated parity among transit, commuter highway vehicles (e.g., vanpool) and parking at a maximum of $240 per month for 2013. The bicycle reimbursement level remains at $20 per month. On January 11, 2013, the Internal Revenue Service announced the annual inflation adjustments for tax year 2013. The monthly limitation regarding the aggregate fringe benefit exclusion amount for transit passes and transportation in a commuter highway vehicle is $245. See Revenue Procedure 2013-15.

2014: Parking benefits increased and transit/vanpool benefits decrease.

Congress delayed passing the tax extenders bill that covers tax benefits that were subject to sunsetting, by the end of 2013. Passage of the bill would have preserved the parity between parking and transit/commuter highway. Therefore, the parking rate limit for 2014 is $250. The transit and commuter highway vehicle (e.g., van pool) rolled back to $130 for 2014.

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Best Workplaces for Commuters℠
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