



# How to: START PROVIDING COMMUTER CHOICE PRE-TAX BENEFITS

The Internal Revenue Code Section 132(f) provides incentives for employers to encourage alternative transportation use, specifically transit and vanpooling, by providing commuter benefits to employees. Under current (2016) tax law, an employer may offer one or more options from a variety of commuter benefits including:

1. An employer-provided subsidy for riding transit, vanpooling, or parking which is tax-free up to a specified limit.
2. A pre-tax commute benefit program where employees are permitted to use pre-tax income for qualified transportation expenses including parking, transit, or vanpooling.
3. A parking cash-out program in which employees are given the option of accepting taxable income and/or tax-free transit/vanpool benefits in lieu of a free or subsidized parking space at work.
4. A combination of the above options.

Employers may provide workers with up to \$255 per month in tax-free transit and vanpool benefits. The monthly limitation under Section 132(f)(2)(A) Qualified Transportation Fringe Benefits regarding the aggregate fringe benefit exclusion amount for vanpools and transit passes is \$255. The monthly limitation regarding the fringe benefit exclusion amount for qualified parking is \$255. Commuters can receive both the transit and parking benefits (i.e., up to \$510 per month). Additionally, some bicycling expenses may also qualify for pre-tax benefits up to \$20 per month.

## Other Items of Interest

- As with other pre-tax programs allowed by the IRS, the Commuter Choice Tax Benefits Program is also exempt from the usual restrictions and reporting requirements.
- There are no plan filings or forms for the employer to fill out, no irrevocable elections, and no mandatory enrollment dates.
- The benefit cannot be offered as part of a cafeteria plan and therefore is not subject to the regulations governing cafeteria plans.
- Section 132(f) allows employees to reduce their commuting costs by up to 40%, while helping employers save 10% or more on payroll taxes.

## Program Implementation

While the program is relatively easy to implement and manage, as with any tax benefit, the implementation of the Commuter Choice Tax Benefit should be handled by someone who is qualified. Whether it is your accounting, payroll or legal department, contact the appropriate representatives at your company and discuss the Commuter Tax Benefits Program. Your company's representative(s) will also be responsible for establishing and managing the program. Based on the information they are provided, they can determine:



- The method of benefit delivery: a subsidy, pre-tax deduction or both
- The amount of any subsidy offered
- How benefits will be disbursed
- Whether the program is administered internally or outsourced

If your company wishes to outsource the program, your 511 Employer Service Representative can provide a list of Commute Tax Benefits Service providers who can professionally administer the program.

## Once the Program is Approved and Implemented, You Can Help By

- Providing informational materials to employees
- Marketing the program as part of your employee commute program
- Informing your employees of how they may take advantage of the program

## Visit 511 for the Following Information

- A list of commuter tax benefit vendors<sup>1</sup>
- Examples of companies who have implemented the Commuter Choice Tax Benefit Program
- A list of responses to frequently asked questions
- A template to outline how the company may use and combine benefits
- Estimated tax savings calculations based on benefits provided
- Additional resources to obtain more detailed information

<sup>1</sup>Federal, state and local tax laws are subject to change. Your plan or payroll administrator should seek tax advice from a qualified tax professional. 511 Rideshare does not have tax specialists on staff and is not qualified to give tax advice.

### 511 OFFERS FREE SERVICES AND TOOLS FOR EMPLOYERS

Want to help your employees find more efficient and economical ways to get to work? 511 offers a variety of services and tools to help you assemble a successful Transportation Demand Management (TDM) program at your worksite. This service is provided at no cost to your organization by the Metropolitan Transportation Commission. Services include:

#### ONLINE RIDEMATCHING

With just a few clicks on 511.org, the RideMatch Service instantly matches your employees with other people making a similar commute.

#### VANPOOL FORMATION AND SUPPORT

Vanpooling may be an option at your worksite, and we can help you set up vanpools from start to finish.

#### COMMUTE INCENTIVES

Employees who use commute alternatives to driving alone can benefit from a variety of incentives, including commuter tax breaks, free bridge tolls, carpool lanes and other financial incentives.

#### WORK SITE EVENTS

511's representatives will participate in select events to promote carpooling and vanpooling at your worksite.