



Commuter Choice

T A X B E N E F I T S

A Win-Win situation is the goal of everyone doing business. Commuter Choice Tax Benefits are a Win-Win-Win for employers, employees and the environment.



The **Commuter Choice Tax Benefits** program is a valuable addition to any benefits package. Unlike health care or vacation plans, employees can use the Commuter Choice Tax Benefit every day they commute to work.

The program, based on Section 132(f) of the federal tax code, allows employers to offer employees a variety of financial incentives for using alternative commute modes. Section 132(f) covers transit, vanpool and bicycle benefits as well as qualified parking. Employers and employees save money, employees save time, the employer is viewed as a good corporate citizen and the environment benefits from reduced traffic congestion. With vehicle exhaust as the number one source of air pollution in the Bay Area, Commuter Choice Tax Benefits can lead to cleaner air.

Employers offering a Commuter Choice Tax Benefits program, have the ability to offer the benefit in one of three ways:

- 1) In addition to compensation (offer a subsidy)
- 2) In lieu of compensation (allow employees to set aside pre-tax dollars), or
- 3) As a combination of these two methods (subsidize part of the commuting cost and allow employees to pay for the remainder of the cost, up to the monthly limit, with pre-tax dollars).

For taxable years beginning in January 1, 2009, the federal limitation for the parking benefit is \$230 a month per employee (\$2,760 a year). Beginning the same date the federal limitation for the bicycling benefit is \$20 per qualified bicycle commuting month. Beginning February 17, 2009 the federal limitation for the transit/vanpool benefit is \$230 a month per employee (\$2,760 a year).

A qualified bicycle commuting month is any month in which the employee:

- 1) Regularly uses a bicycle for a substantial portion of the travel between the employee's residence and place of employment **and**
- 2) Does not receive:
 - a. Transportation in a commuter highway vehicle
 - b. Any transit pass, or
 - c. Qualified parking benefits

The Commuter Choice Tax Benefits program is exempt from the usual restrictions and reporting requirements that accompany other pre-tax programs allowed by the IRS. There are no plan filings or forms for the employer to fill out, no irrevocable elections and no mandatory enrollment dates. It is not subject to the regulations governing cafeteria plans – and cannot be offered as part of a cafeteria plan.

Employers offering Commuter Choice Tax Benefits will enjoy increased tax savings, improved employee recruitment and retention, improved employee morale, and a reduction in operating costs for parking, among other benefits. Employees will enjoy reduced commuting costs, reduced vehicle ownership costs and more time saved by commuting by transit or vanpool. Employees using alternate forms of commuting frequently have less stress and demonstrate greater productivity.

A Program for Every Budget

More often, employers are offering full transit benefits to employees. When employers contribute to employee commuting costs, it is the equivalent of offering a low-cost wage enhancement.

For example: if a \$230 transit benefit were given as a pay increase instead of a commuter benefit, the employer would have to pay payroll taxes on the amount given and employees would pay more in income taxes. When you consider the overall value of offering Commuter Choice Tax Benefits to employees, it may cost the employer more not to provide these benefits.

In 2001, the IRS established Section 132(f), Qualified Transportation Fringe, which now enables commuters to pay for transit, vanpools, bicycling and/or parking costs pre-tax. Depending on the individual's income tax bracket, the savings can add up to hundreds of dollars annually for employees (see Calculating the Benefit, page 2).

An employee can use the pre-tax benefit for "qualifying transportation expenses." Qualifying expenses include items such as transit passes, vanpool subscriptions, and parking fees. Qualifying bicycle commuting expenses include the purchase of a bicycle and bicycle improvements, repair and storage¹.

¹ A complete list of qualifying expenses is available by calling 511 Rideshare. Just dial "511" and say "Rideshare"

Calculating the Benefit: How much could it save your employee?

Step 1

Determining how much an individual pays in taxes.

Example: for an individual in the **25%** tax bracket²:

Tax		Tax Percentage
Federal Income Tax		25%
FICA	Social Security	6.2%
	Medicare	1.45%
California State and Local Income Taxes		9%
Total Tax		41.65%

Step 2

Using the Total Tax percentage from the table above (in this sample, 41.65%) to calculate that individual's annual tax savings.

Annual Expenditures:	Transit or Vanpool	Parking
Travel Expenses (buying transit passes, etc)	\$2,760	\$2,760
Tax Savings (applying 41.65% to each expense)	\$1,150	\$1,150

What this shows is that an employee in the 25% tax bracket could **save up to \$1,150 per year** on transit, vanpool or parking costs.

In summary, for an employee who makes \$34,000 per year and takes transit, these pre-tax savings are the equivalent of a **\$1,150 raise** at no cost to the employer.

With qualified transportation fringe benefits (Section 132(f) of the Internal Revenue Code) or "Commuter Tax Benefits," employers save on payroll related taxes and employees save on federal income taxes.

Commuters can receive both the transit and parking benefits (i.e., up to \$460 per month). Employers can allow employees to use pretax dollars to pay for transit passes, vanpool fares and parking.

2009

	Transit	Vanpool	Qualified Parking
Incentive Levels	Up to \$230/month* for transit expenses	Up to \$230/month* for vanpool expenses	Up to \$230/month for parking at or near an employer's worksite, or at a facility from which employee commutes via transit, vanpool, or carpool
Employer Tax Benefit	Employers give their employees up to \$230/month* to commute via transit; the employer gets a tax deduction and saves over providing the same value in gross income or Employers allow employees to use pre-tax income to pay for transit and employers save on payroll tax (at least 7.65% savings) or A combination of both up to statutory limits	Employers give their employees up to \$230/month* to commute via vanpool; the employer gets a tax deduction and saves over providing the same value in gross income or Employers allow employees to use pre-tax income to pay for vanpooling and employers save on payroll tax (at least 7.65% savings) or A combination of both up to statutory limits	Employers give their employees up to \$230/month for qualified parking; gets a tax deduction and saves over providing same value in gross income or Employers allow employees to use pre-tax income to pay for qualified parking and employers save on payroll tax (at least 7.65% savings) or A combination of both up to statutory limits
Employee Tax Benefit	Employee receives up to \$230/month* tax free (not on their W-2 form) or Employee pays for commute benefit with the pre-tax income and saves on income tax or A combination of both	Employee receives up to \$230/month* tax free (not on their W-2 form) or Employee pays for commute benefit with the pre-tax income and saves on income tax or A combination of both	Employee receives up to \$230/month tax free (not on their W-2 form) for qualified parking or Employee pays for commute benefit with the pre-tax income and saves on income tax or A combination of both

² For 2008, the 25% federal income tax bracket applied to single individuals earning between \$32,551 - \$78,850 and married couples earning between \$65,101 - \$131,450.

³ Assumed 9% combined state and local tax.

*The American Recovery and Reinvestment Act of 2009 increased the transit and vanpool subsidy to be at parity with the parking benefit. The parity is scheduled to expire on December 31, 2010 if not extended by Congress.



Implementing a Tax Benefits Program

- 1 Contact representatives from top management, human resources, payroll, and the accounting/finance departments to coordinate efforts and to ensure buy-in.
- 2 Check with the company tax specialist on how to establish and manage the program.
- 3 Survey employees to learn about their commuting habits to determine which benefits to offer.
- 4 Determine which employees will receive benefits. These benefits do not have non-discrimination requirements. For example, you can offer the benefit to employees who work in one location versus another.
- 5 Based upon budget, determine the delivery of benefit - a subsidy, pretax deduction, or a combination of both.
- 6 If offering a subsidy, determine the level and limitations.
- 7 Decide to administer the program internally or via outsourcing. There are advantages to both. Typically, smaller companies will manage their own programs.
- 8 Decide how to distribute benefit(s) to employees.
- 9 Update the personnel manual to include the benefit and qualifications for receiving the benefit.



- 10 Announce and market your program, and educate employees about it. In any worksite or employee documentation, list all the rules, deadlines and limitations. Provide a convenient sign-up sheet, especially if allowing employees to set aside pre-tax wages for the benefit. Employees will need to authorize any salary deductions.
- 11 Make changes as necessary to W-2 forms/information. If offering the benefit as a subsidy, there will be no changes in the W-2 form. If offering it as a pre-tax benefit, it will be noted in the appropriate box on the W-2.
- 12 Purchase / distribute the benefit - monitor the program - analyze the savings.

Note: Cash reimbursement for transit or vanpool expenses is permitted in limited circumstances. Employers can reimburse employees for cash outlay for transit in areas where vouchers, transit passes, tokens, fare cards, tickets, etc. are not "readily available to be exchanged for transit or vanpool services."

For further information on Commuter Tax Benefits and other Commuter Choice programs go to:

- ACT website:
<http://http://tmi.cob.fsu.edu/act/benefit.htm>
- Federal Transit Administration website:
www.fta.dot.gov/2172_ENG_HTML.htm
- Your Employer Services Representative with the 511 Regional Rideshare Program:
http://rideshare.511.org/employer_services/tdm_outreach_specialists.asp

For further information on the Santa Clara Resource Team on Clean Air, creators of this document, visit:
<http://www.sparetheair.org/community/santa-clara-resourceteam.htm>



"Driving alone is the primary source of air pollution in the Bay Area. The use of commuter benefit programs is essential to encourage employees to not go it alone and instead find alternate ways to commute to work. The Air District's Spare the Air campaign promotes alternative transportation options like carpooling for cleaner, healthier air. Remembering that *Any Ride is Worth Sharing* is a great way to improve both employee morale and air quality!"

Jack Broadbent
Executive Officer/Air Pollution Control Officer
Bay Area Air Quality Management District
jbroadbent@baaqmd.gov



"The Commuter Choice benefits allow us to provide added benefit to transit and vanpool riders in addition to the taxed benefits for carpooling bicycling and walking."

Kathy Durham
City of Palo Alto
Transportation Division
(650) 329-2568
kathy.durham@cityofpaloalto.org



"Yahoo! has employees from all over the Bay Area. The tax benefits that they receive when taking transit or vanpools to work are great financial perks to our employees who choose to leave their cars at home."

Danielle Bricker
Yahoo! Inc.
Commute Coordinator
(408) 349-4729
dbricker@yahoo-inc.com



Commuter Choice Tax Benefit Providers

Provides Benefits Administration

Benefit Resource ①④

Eric Moxim
2320 Brighton-Henrietta Townline Road
Rochester, NY 14623
508-381-0291
emoxim@ibrinet.com
www.ibenefitresource.com

CBCA ①③

Patricia Gatzke
10900 Hampshire Avenue South
Minneapolis, MN 55438
952-903-6335
patricia_gatzke@cbca.com
www.cbca.com

CDSNet ①②④

Andy Musolino
Director of Sales
3435 Wilshire Blvd, Suite 400
Los Angeles, CA 90010
212-947-2018
sales@cdsnet-inc.net
www.transitsearch.com

Commuter Check/ ①③ Commuter Check Direct

Steve Rossen
Account Manager
2980 College Ave #7
Berkeley, CA 94705
510-704-0856
steve.rossen@accorservicesusa.com
www.commutercheck.com

EBS Employee ①②③④ Benefits Specialists

Chimane Rhodes
5674 Stoneridge Drive, Suite 209
Pleasanton, CA 94588
925-460-3910
chimane@ebsbenefits.com
www.ebsbenefits.com

RTC "Tickets To Go" Program ②

Diana Hammons
1 South Van Ness Avenue, Basement
San Francisco, CA 94103
415-701-4623
diana.hammons@SFMTA.com
www.sfmuni.com

TranBen ①③

Janice C. Hamilton
877-587-6236
303-588-0192 (Direct)
www.tranben.com

Trust Administrators, Inc. ①②④

Royce A. Charney
One Kaiser Plaza, Suite 401
Oakland, CA 94612
888-951-5556
Royce@trustadmin.com
www.trustadmin.com

WageWorks ①②③④

Sheila Villaroman
Two Waters Park Drive, Suite 250
San Mateo, CA 94403
877-924-3967
Sheila.villaroman@wageworks.com
www.wageworks.com

Provides Information on administering Commuter Tax Benefit Programs

511 Regional Rideshare Program

Call 511 (say Rideshare)
commuterbenefits@511.org
www.511.org

511 Contra Costa

925-407-0354
www.511contracosta.org

AMBAG Association of Monterey Bay Area Governments

831-883-3750
www.commutealternatives.info

Commuter Connection – San Joaquin Council of Governments

209-468-8960
www.commuterconnection.com

Peninsula Traffic Congestion Relief Alliance

650-588-8170
www.commute.org

Solano Napa Commuter Information

800-535-6883
www.solanolinks.com/commuterinfo

Sacramento Region 511

Call 511 or 916-340-6247
www.sacregion511.org

San Benito Rideshare

831-637-POOL (7665)
www.sanbenitorideshare.org

Santa Cruz Commute Solutions

831-429-POOL (7665)
www.commutesolutions.org



KEY

- ① Provides benefits administration
- ② Distributes transit passes
- ③ Distributes vouchers
- ④ Debit card technology