



Commuter Benefits



For DCTMA - 9/20/22
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What is a Commuter Benefit?

- The tax break for taking transit or vanpools
- The commuter benefit is sanctioned by IRS tax code 132(f) to set aside up to \$/mo. (exempt from Federal Income Tax and FICA payroll taxes)
- Can be in various forms: vouchers, prepaid card, fares/passes, home/office delivery or electronic
- Commuter Benefits are considered a Qualified Transportation Fringe Benefit (QTFB), **not a Flexible Spending Account**; QTFB has fewer administrative requirements than FSA

What is NOT covered by a Commuter Benefit?

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| <ul style="list-style-type: none">• Carsharing• Bikeshare• Carpooling• Shared-use Mobility (TDNs) - except under specific circumstances• Micromobility | <ul style="list-style-type: none">• Tolls• Taxis• Fuel and maintenance• Mileage• Business trips (meetings, airport parking/transfers, etc.)• Residential parking |
|--|---|

A look back at the Commuter Benefit

- **1970s:** Employer pass programs emerge
- **1984: Tax Reform Act of 1984:** “Codifies” use of transit benefits within the Qualified Transportation Fringe Benefit, allowing \$15/month maximum benefit (“cap”); limited to employer *subsidy* only
- **1998: TEA-21:** Employee-paid, pre-tax payroll deduction feature added; cap raised to \$65/month
- **2008 Emergency Economic Stabilization Act of 2008:** Bicycle benefit added in 2009
- **2015: Consolidated Appropriations Act, 2016:** Creates **permanent parity** between Transit and Parking (\$235 at the time)
- **2017: Tax Cuts and Jobs Act:** QTFB retained, but creates UBIT payments for non-profits and suspends bicycle benefit

How can the Benefit be offered?

- As a **pre-tax benefit**, where the employee sets aside an amount up to \$/month
- As an **employer-provided subsidy**, where the employer provides it tax-free to the employee
- In **combination**, as long as the benefit does not exceed \$265/month
- Employees can combine Transit and Parking to receive a maximum benefit of \$ per month

Who is eligible?

As per IRC Section 132(f):

- **Included:** Employees who receive a W-2 (employer can add other requirements)
- **Excluded:** Self-employed persons defined as partners, sole proprietors, S-Corp. employees with 2% or more ownership, and independent contractors. However, they can receive a "de minimis fringe" benefit of \$21 per month (\$252 a year)

Why do employers offer a Commuter Benefit?

- Tax savings: Employers *and* employees
- Create a more complete benefits package (at little to no cost)
- Meet corporate sustainability goals/reduce carbon footprints
- Reduce commuter stress/increase productivity
- Reduce subsidized parking expenses
- Free up parking for customers

What are the savings?

- **For employees:** as a pre-tax payroll deduction, RideECO is exempt from Federal Income Taxes and FICA; employees can realize a savings of more than \$940/year
- **For employers:** reduced FICA match; employers can see a savings of up to ~\$243 per employee annually

What effect can offering a commuter benefit have?

- 1.87 billion transit trips annually attributed to the benefit.
- Up to 50% - with the most common range between 20% and 30% - of all commuting trips were taken with fares purchased with the transit benefit.
- More than 70% of respondents said the transit benefit is important to supporting ridership.
- Nearly 62% of respondents said transit benefits have an impact on their ridership levels.
- *Per former RideECO users, the program resulted in 19% new transit riders, with 47% riding transit more often.**

Additional Considerations

- Administrative fees typically do not exceed the FICA savings of the employer – essentially, employers can offer Commuter Benefits at no cost.
- Cash reimbursement is generally prohibited with the transit benefit but is allowed for parking with receipts.
- Minimal administration – a few hours for initial start-up, then about 1-2 hours per month on average. (Depends on size of company and how administration is set up.)
- More cities/regions are implementing Commuter Benefit Ordinances/Bills

Basic steps to starting a Commuter Benefit

Step 1: Assess the the overall commuting needs of your company (survey, transit options, etc.)

Step 2: Obtain management support and approval

Step 3: Assign 1) department to administer and 2) a “champion”

Step 4: Launch your Commuter Benefit program

TIP: *Don't keep it a secret - increase employee awareness and participation through constant promotion*

Step 5: Program Analysis - Get participant feedback. Gauge the program's usage and cost-effectiveness.

Questions?

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Thank you!