



## Pre-Tax Fringe Benefits

In 1984, the IRS decided to give hard-working citizens tax-free benefits for commuting to work via public transportation since most employers offered free parking. Today's benefits, IRS Section 132(f), have been expanded to include parking, vanpools and even biking as parking costs in most cities are at a premium, and transit ridership fees are on the rise.

### Structure Your Program

Commuter benefits save both your company and your employees money. Based on current legislation, your company can offer commuter benefits in the form of:

- A tax-free employer-paid subsidy
- A pre-tax employee-paid payroll deduction
- A combination of both

Commuter benefits are considered tax-free benefits, not employee wages, so your company can save on average 7.65% in payroll taxes. Employees who participate in your commuter benefit program don't have to pay income taxes on the money they set aside for their commute, saving up to a whopping 40% on their commuting expenses.

### Draft Your Policy

The IRS has deemed the following monthly amounts allowable under tax code IRS 132a as of 2016:

- Transit or Vanpool = \$255
- Qualified Commuter Parking = \$255
- Bicycle Subsidy = \$20
- Combined Parking & Transit Benefit = \$255

The following topics should be considered when drafting a pre-tax fringe benefit program: commuting options covered, monthly limits, cut-off dates, employee eligibility requirements, eligible/ineligible commuting expenses, proper/improper use of commuter benefits, how to sign up, and how benefits will be distributed. Vouchers, commuter checks, pre-purchased transit passes, direct pay, and cash reimbursement are all acceptable forms of reimbursement.

### Launch & Administer Your Program

Call your payroll service provider for the IRS 132a account code. Next, create a sign-up sheet, including: identifying information, type of deduction, amount(s), signature, and date; or work with a company, such as Edenred Commuter Benefit Solutions, to administer all aspects of the program for a portion of the pre-tax savings (\$3.50 per-month, per-participant). Finally, market the program so it gets utilized! Start with a newsletter and posters around the office.

### Find Help & Examples

Contact Peter Williamson, Employer Outreach Coordinator at SLOCOG: (805) 597-8022 or [pwilliamson@rideshare.org](mailto:pwilliamson@rideshare.org).