

Commuter Tax Benefit Primer

2012 | commuter benefits

Eligible 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

Eligible employees, established as HR policy, an employee may opt into the program. 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., \$125 for transit in New York and \$125 for transit in Atlanta)
- Different dollar levels for each location (e.g., \$125 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))

Accounting as a payroll deduction

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.

Accounting with company as bulk purchaser and distributor

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.

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.

HR Considerations

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.

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.

PRE-TAX VERSUS AFTER-TAX PASS PURCHASE

<i>AFTER-TAX PURCHASE</i>		<i>PRE-TAX PURCHASE</i>	
<i>\$300.00</i>	<i>Gross Paycheck</i>	<i>\$300.00</i>	<i>Gross Paycheck</i>
<i>-90.45</i>	<i>(fed-FICA taxes)*</i>	<i>-64.00</i>	<i>pass purchase</i>
<i>209.55</i>	<i>after-tax paycheck without pass</i>	<i>236.00</i>	<i>adjusted gross</i>
<i>-64.00</i>	<i>pass purchase</i>	<i>71.15</i>	<i>(fed-FICA taxes)</i>
<i>\$145.55</i>	<i>paycheck</i>	<i>\$164.85</i>	<i>paycheck</i>

YOU KEEP \$19.30 MORE EACH MONTH OR \$231.60 MORE PER YEAR!

YOUR \$64 MONTHLY PASS AFTER USING PRE-TAX BENEFITS COSTS ONLY \$44.70!

**based on 15% tax bracket*

Adapted from material provided by Stuart Baker, Commuter Check.