

COMMUTER TAX BENEFITS FACT SHEET

Tax incentive programs can have a positive impact on your payroll tax liability. Federal Tax Code allows employers to provide tax-free transit, vanpool, and bike benefits for their employees. Taking advantage of these benefits is easy, and programs can be set up at any time.



THE FACTS:

- An organization of any size is eligible
- Commuter Choice works with BATMA's Tran\$ave Program and regional vanpool providers.
- There are no requirements to write a plan document or have IRS approval of the program.
- Employers may start the program at any time.
- The "benefits are exempt from anti-discriminatory requirements." Employers do not have to offer the program to all sites and employers can even specify which employees can receive the benefit.
- Up to \$230 per employee, per month can be utilized for vanpools and transit costs.
- Up to \$20 per employee, per month can be utilized for bicycling costs.
- The benefit can be set up in 3 different ways.
- Commuter Choice is a free benefit that directly affects an employer's bottom line by reducing payroll tax liability.

THE BENEFIT CAN BE SET UP IN 3 WAYS:

- 1) **100% EMPLOYER-PAID TRANSPORTATION BENEFITS.** Employers can pay for their employees to commute by transit or vanpool, up to \$230/month or \$20/month for bicycling. With this option employees get up to \$230 or \$20 in a tax-free transportation benefit. Employers get a tax deduction for the transportation cost and also receive savings on payroll taxes.
- 2) **SHARED-COST TRANSPORTATION BENEFITS.** Employers can share the cost of transit or vanpool costs with employees and both receive valuable tax savings. With this approach, employers provide a portion of the cost of taking transit or vanpooling as a tax-free benefit and allow the employee to set aside pre-tax income to pay for the remaining portion; up to \$230 per employee, per month.
- 3) **EMPLOYEE-PAID, PRE-TAX TRANSPORTATION BENEFITS.** Employers can allow employees to set aside up to \$230/month of pre-tax income to pay for transit or vanpooling. Employers save money overall since the vanpool or transit cost is not subject to FICA (payroll taxes). Employees save since the transportation cost (up to \$230 per month) is not subject to income taxes.

**Note: The information presented here does not constitute official tax guidance or a ruling by the U.S. Government. Taxpayers are urged to consult with the Internal Revenue Service of the U.S. Department of Treasury or a tax professional for specific guidance related to the Federal tax law.*