

# Frequently Asked Questions about Commuter Tax Benefits 2012

- ❖ What is the "Transit Benefit Program?"
  1. It is a part of the Internal Revenue Code (IRC), Section 132 (f) that allows an employer to subsidize his/her employees' cost of commuting to work by transit. It also allows employees to use pre-tax dollars to pay for their transit passes.
  
- ❖ What types of transit services qualify for the Transportation Commute Benefit?
  1. Any type of transit service, publicly or privately owned or operated including bus, rail, shuttle bus, and commuter highway vehicles under contract which provides to the public and/or employees, general or special service on a regular and continuing basis.
  
- ❖ What various vanpool arrangements qualify for the Transportation Commute Benefit?
  1. Transportation in a commuter highway vehicle (vanpool) which is provided "by-and for" (on behalf of) the employer is eligible for the Transportation Commute Benefit. These types of vanpool arrangements are: employer-owned; employer-leased; employee-owned; employee-leased, and public transit operated.
  
- ❖ Can an employer provide the parking benefit in addition to the commuter highway vehicle benefit to employees who travel in vanpools that use commercial parking?
  1. The designated employee "main driver" (often the driver or the person assigned the parking space) who travels in a commuter highway vehicle that uses commercial parking is eligible for the parking benefit (up to \$240/month), while at the same time is entitled to the commuter highway vehicle benefit (up to \$125/month).

All other employees commuting in a highway vehicle that are not the "main driver" are only eligible for the vanpool benefit, not the parking benefit. Only one person can receive the parking benefit.
  
- ❖ May an employee who receives up to \$125/month for using transit or a commuter highway vehicle to commute to work also receive a qualified parking benefit to subsidize the employee's cost of parking in a facility at or near the place which he/she commutes to work (or at a transit parking lot that charges a fee)?
  1. Yes. Under Section 132(f)(2) an employee may receive a qualified parking benefit in addition to the transit or commuter highway vehicle benefit. However, the answer to the previous question is relevant to determining who is eligible to receive the parking benefit in a vanpool arrangement.
  
- ❖ Are bicyclists and/or walkers covered under the Transportation Commute Benefit?
  1. Yes. For any calendar year, the exclusion for qualified bicycle commuting reimbursement includes any employer reimbursement during the 15-month period beginning with the first day of the calendar year for reasonable expenses incurred by the employee during the calendar year.

Reasonable expenses include:

    - ✚ The purchase of a bicycle and
    - ✚ Bicycle improvements, repair, and storage.
  
- ❖ What are the employer's record keeping requirements of the Transportation Commute Benefit?
  1. In the case of cash reimbursements, a bona-fide reimbursement arrangement constitutes adequate record keeping. In the case of the voucher system used for transit or vanpools, employers need only maintain a record of the purchase of the vouchers. In all other cases, the employer must maintain adequate records that reasonably demonstrate expenditures under the benefit. As an example, in the case of an employer who participates in a transit pass program by selling passes of a local transit provider at a discount, the employer should keep records of the pass sales to employees in addition to the arrangement with the transit provider(s).

- ❖ To whom and for what purposes may the qualified transit benefit be offered?
  1. An employer can offer the benefit to any employee or group of employees within the work force. The amount can vary among employees, it can be provided on a regular basis or once a year instead of a bonus, or it can be provided as a recruitment or incentive payment to address a problem such as recurring lateness. It can also be used only for a limited group of employees or available to all employees, at the employer's discretion. It must, however, be provided for commuting expenses--not for personal travel.
  
- ❖ Can an employee buy transit passes without going through the employer?
  1. Qualified transportation fringes are employer-provided benefits which allow employers to treat benefits provided to employees in a tax preferred way. If an employee purchases a transit pass with their money, there is no way that the employee can obtain the tax savings. The employee cannot deduct the amount when they file their personal income tax forms. However, the employer can treat the amount they provide to their employees in the form of qualified transportation fringes as tax free and excludible from gross income of the employee thereby giving employees a financial savings.
  
- ❖ Can an employee require employers to provide a transit pass benefit?
  1. No. Section 132(f), Qualified Transportation Fringes, is permissive. How and under what circumstances an employer provides these benefits to its employees is within the employer's discretion. The employer may provide only one kind of benefit or all types of transportation fringes, at its sole discretion.
  
- ❖ If an employee is receiving the maximum benefit allowed by law, does the benefit automatically increase when the statutory maximum is increased?
  1. No. The employer makes the decision if and when to increase the benefit or even whether to provide the maximum regardless of whether the employer or employee is paying for the benefit.
  
- ❖ What records as an employee do I have to keep if I receive a qualified transportation fringe?
  1. If your employer utilizes a cash reimbursement system, you may have to provide your employer with receipts or some record of your expenses. If you receive vouchers from your employer to pay for your transit expenses, for example, you may not have any record keeping requirements but you may have to certify to your use of transit and monthly expenses to your employer. There is no employee record keeping requirements for purposes of any tax filing such as the annual personal income tax form. The amount of the fringe benefit an employee receives from their employer will not be included in an employee's W-2 form.