

Strategic Benefits Taxation

Commuter Tax Benefits 2012

Commuter tax benefits are an easy way for employers and employees to save money! The IRS allows employers to withhold a set amount of an employee's pre-tax income for vanpool or bus commuting costs. This benefit lowers an employee's taxable income, putting more money in their pocket. Employers can also provide a monthly fare subsidy as a part of the qualified IRS Transportation Fringe Benefit under section 132(F) of the IRS Tax Code. Providing this transportation subsidy to employees can reduce the company's FICA burden. It's a win-win-win solution.



Here's how it works for the Employee:

- * The employer takes the cost of vanpooling or a bus pass (**up to \$125 per month**) out of the employee's paycheck before figuring taxes. This lowers the employees' taxable income, which puts more money back into their paycheck.
- * The employee then pays their vanpool or bus pass expenses and submits a receipt to their employer for a tax-free reimbursement. It's that simple!

Unlike a typical pre-tax "FLEX PLAN", a qualified transportation benefit program is not a use it or lose it program. Monies that go unused in an employee's account are automatically rolled over for future use.

The employer has to be the one to establish and administer the program. It's a great way for everyone to save money.

Here's how it works for the Employer:

- * The employer lets the employees know the program is available and signs them up. If the employer already has a pre-tax program in place, they can set this employee benefit up the same way.
- * When processing payroll, the employer proportionately reduces the company FICA tax burden for each participating employee.
- * When the employee submits their vanpool or bus pass expenses to the employer for reimbursement, the employer processes the check according to the rules they have established for this benefit.

Working



Together!