A win-win situation – a relationship in which both parties involved benefit from a transaction – is the goal of every earnest person doing business.

It is the engine that makes the wheels of our economy move forward.

Commuter Choice

T A X B E N E F I T S

The Commuter Choice Tax Benefits program is a valuable addition to any benefits package. Unlike employee benefits like health care or vacation plans, employees can use the Commuter Choice Tax Benefit every day.

The program, based on Section 132(f) of the federal tax code, allows employers to offer employees a variety of financial incentives for the use of alternative commute modes, including buses, trains and vanpools. Employers and employees save money, employees save time, the employer is viewed as a good corporate citizen and the environment benefits from reduced traffic congestion.

When administering a Commuter Choice Tax Benefits program, the employer has the ability to offer the benefit in one of three ways:

1) In addition to compensation (offer a subsidy),
2) In lieu of compensation (allow employees to set aside pre-tax dollars to pay for transit or vanpool costs), or
3) As a combination of these two methods (employers subsidize part of the commuting cost and allow employees to pay for the remainder of the cost, up to the monthly limit, with pre-tax dollars).

The current federal limit for the transit/vanpool benefit is $100 a month per employee ($1,200 a year).

The Commuter Choice Tax Benefits program is exempt from the usual restrictions and reporting requirements that accompany other pre-tax programs allowed by the IRS. There are no plan filings or forms for the employer to fill out, no irrevocable elections and no mandatory enrollment dates. It is not subject to the regulations governing cafeteria plans – and, in fact, cannot be offered as part of a cafeteria plan.

As an employer offering Commuter Choice Tax Benefits, you will enjoy increased tax savings, improved employee recruitment and retention, improved employee morale, and a reduction in operating costs for parking, among other benefits.

As an employee, you will enjoy reduced commuting costs, reduced costs associated with vehicle ownership and more spare time. The time saved commuting by transit or vanpool can be used for other activities, such as reading or catching a quick nap. You will arrive at work, less stressed and more alert, and you will get the satisfaction of helping to reduce traffic congestion and air pollution.

There’s a program for every budget

More and more, employers are offering the full transit benefit to employees. When employers contribute to employee commuting costs, it is the equivalent of offering a low cost wage enhancement. If a $100 tax benefit were given as a pay increase instead of a commuter benefit, the employer would have to pay payroll taxes on the amount given and employees would pay more in income taxes. When you consider the overall value of offering Commuter Choice Tax Benefits to employees, it may cost the employer more not to provide these benefits.
Let’s look at some examples

**As a subsidy:**
Consider an employer that wants to give an employee a $100 a month ($1,200 a year) increase in salary. The cost to the business, as a conservative estimate, could be $1,292 per employee due to additional FICA and Medicare taxes (about 7.65%). Employees, meanwhile, would see only about a $720 increase in their paycheck, thanks to income and payroll taxes amounting to approximately 40%.

On the other hand, if the employer gives the employees $1,200 per year as a Commuter Choice Tax Benefit, the employer could write the subsidy off as a business expense. Employees, in turn, would see the entire $1,200 made available for their use.

**As a pre-tax payroll deduction:**
By establishing a pre-tax deduction program, you permit employees to exchange part of their gross income for transit or vanpool costs. When your employees pay for the benefit using pre-tax dollars, they save federal, state, and payroll taxes, on what they set aside. Employees typically save about 40%, depending on their tax situation.

When employees use pre-tax dollars to pay for transit or vanpool costs, the employer also saves. For example: If an employee sets aside $100 a month ($1,200 a year) for the commuter benefit, the employer will save about $92 a year in payroll taxes on that employee, and, in addition, will save payroll expenses such as FUTA, SUI and SDI.

For more information on how to calculate your company’s savings, go to the Environmental Protection Agency’s Commuter Choice Website at [www.commuterchoice.gov/resource/calc.htm](http://www.commuterchoice.gov/resource/calc.htm).

### Sample Annual Cost/Savings When an Employee Sets Aside $100 per month for the Commuter Benefit

<table>
<thead>
<tr>
<th></th>
<th>Annual Employer Tax Savings</th>
<th>Employer Cost</th>
<th>Annual Employee Tax Savings</th>
<th>Employee Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Annual Employee Cost</td>
<td>$0</td>
<td></td>
<td>($1,200)</td>
<td></td>
</tr>
<tr>
<td>Payroll taxes saved @7.65% (FICA and Medicare)</td>
<td>$92</td>
<td>$92</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal income taxes saved @28%</td>
<td></td>
<td></td>
<td>$336</td>
<td></td>
</tr>
<tr>
<td>State income taxes saved @6%</td>
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<td></td>
</tr>
<tr>
<td>Net Annual Cost/Savings</td>
<td>$92</td>
<td>$0</td>
<td>$500</td>
<td>($772)</td>
</tr>
</tbody>
</table>

Effect on W-2: W-2 is reduced by $1,200 ($100/month)

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"Consistent with the Air District’s efforts to promote public transportation and reduce the number of single-occupant cars during commute hours, not only does the Air District surpass the commuter benefit (by giving $190.00 per month in transit passes to each employee), the Air District has a Guaranteed Ride Home Program and on-site bike lockers. Offering these benefits is essential, not only for employee retention and morale, but more importantly for cleaner air."

**William Norton**
Executive Officer
Bay Area Air Quality Management District
exec@baaqmd.gov

"Commuter Check is really popular with our staff and it compliments our organization’s mission."

**Karen Boyer**
Save the SF Bay Association
kboyer@savessfay.org

"Trust Administrators’ FlexCard is so easy to use. I recommend it to anyone considering a Commuter Benefit Plan."

**Debbie Momongan**
Benefit Services, Inc.
(510) 987-8816

"We have over 40 offices and 450+ employees nationwide. EBS really helps us administer a commuter benefit program that is as good for the environment as it is for our staff!"

**Michael Coyle**
The Trust for Public Land
National Human Resources Manager
michael.coyle@tpl.org

"We have been active within the business community to share our experiences in implementing the Commuter Choice program. As the health care provider for 1/3 of California’s population, Kaiser Permanente sees clean air as preventive medicine on a grand scale."

**Linda Hofman**
Transportation Systems Management Specialist
Kaiser Permanente
linda.hofman@kp.org

"We want to do everything we can to encourage Presidio employees to use alternative commute modes, so implementing a Commuter Choice program was a natural for us. As a federal entity, it was easy to adapt the U.S. Department of Transportation’s existing program guidelines for our own use."

**Greg Stempson**
Transportation Demand Management Coordinator
The Presidio Trust
GStempson@presidiotrust.gov

"WageWorks offered us a straightforward way to provide valuable benefits. Their commitment to professional customer service is a great benefit as well."

**Margot Lamont**
Firmwide Manager
Benefits and Compensation
Brobeck, Phleger & Harrison LLP
mlamont@brobeck.com

"Consistent with the Air District’s efforts to promote public transportation and reduce the number of single-occupant cars during commute hours, not only does the Air District surpass the commuter benefit (by giving $150.00 per month in transit passes to each employee), the Air District has a Guaranteed Ride Home Program and on-site bike lockers. Offering these benefits is essential, not only for employee retention and morale, but more importantly for cleaner air."

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GStempson@presidiotrust.gov
**How to get started**

1. First, contact representatives from top management, human resources, payroll, and the accounting/finance departments to coordinate efforts and to ensure buy-in.

2. Next, be sure to check with your tax specialist on how to set up the program and the types of documentation that is needed.

3. To get a better idea about the type of benefit to offer, you can survey employees to learn about their commuting habits and benefit needs.

4. Then, decide if you are going to offer the benefit to all employees or to a select group of employees. These benefits do not have non-discrimination requirements. For example, you can offer the benefit to employees who work in one location versus another.

5. Look at your budget to decide if you’re going to offer the benefit as a subsidy, pre-tax deduction, or as a combination of both.

6. If you are going to offer a subsidy, decide the level of benefit to offer.

7. Next, decide if you are going to administer the program internally or outsource the function. There are advantages to both. Typically, smaller companies can afford to manage their own programs. Offering these benefits is really pretty simple, even for larger companies.

8. Plan for the distribution of the benefit. Decide how you will distribute the benefit to employees.

9. Update the personnel manual to include the benefit and qualifications for receiving the benefit.

10. Announce the program to employees. Be sure to list all the program rules and sign up dates. Be sure to provide a benefit sign-up sheet, especially if you are allowing employees to set aside pre-tax wages for the benefit. They will need to authorize you to reduce their salary.

11. Make changes, as necessary to W-2 statements. If you are offering the benefit as a subsidy, there will be no changes in the W-2 form. If you are offering it as a pre-tax benefit, it will be noted in the appropriate box on the W-2.

12. Purchase and distribute the benefit. Monitor your program. Count the savings.

**Note:** Cash reimbursement for transit or vanpool expenses is permitted in very limited circumstances. Employers can reimburse employees for cash outlay for transit in areas where vouchers, transit passes, tokens, fare cards, tickets, etc. are not “readily available to be exchanged for transit or vanpool services.”

For further information on Commuter Tax Benefits and other Commuter Choice programs go to the EPA Commuter Choice website at www.commuterchoice.gov, the ACT website at tmi.cob.fsu.edu/act/m, or the Federal Transit Administration website at www.fta.dot.gov
Commuter Benefit Providers

**Benefit Resource**
Eric Moxim  
P.O. Box 2112  
Framingham, MA 01703  
508-381-0291  
elmoxim@aol.com  
www.ibenefitresource.com

**Ee-plan - Integrated Benefits Management**
Michael Barto  
West Coast Representative  
737 Main Street, Suite 300  
Buffalo, NY 14203  
213-489-6840  
MetroFlex Card  
(866) METROFLEX  
info@metroflexcard.com  
www.metroflexcard.com

**RTC**
Alex Ramirez  
949 Presidio Avenue, Room 103  
San Francisco, CA 94115  
415-923-6050  
alex_ramirez@ci.sf.ca.us  
www.sfmuni.com

**Sodexho Pass USA**
Jay Retkevicz  
33 Needham Street  
Newton, MA 02461  
866-734-7277  
jretkevicz@sodexhopassusa.com  
www.sodexhopassusa.com

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www.trustadmin.com

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Phone: (650) 577-5262  
sheila.villaroman@wageworks.com  
www.wageworks.com

**Provide information on administering Commuter Tax Benefit Programs**

**RIDES for Bay Area Commuters**
Kurt Overmeyer  
300 Frank H. Ogawa Plaza, Suite 275  
Oakland, CA 94612  
510-273-2061  
kovermeyer@rides.org  
www.rides.org

**Contra Costa Commute Alternatives Network**
925-973-2851  
www.cccan.org

**Peninsula Traffic Congestion Relief Alliance**
650-994-7924  
www.commute.org

**San Joaquin Council of Governments**
209-468-3913  
www.sjcog.org

**Santa Cruz Commute Solutions**
888-BAY-POOL (888-229-7665)  
www.commutesolutions.org

**Solano Napa Commuter Information**
800-535-6883  
www.solanolinks.com/commuterinfo.html

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**KEY**
1 Provides benefits administration  
2 Distributes transit passes  
3 Distributes vouchers  
4 Debit Card Technology