

ProFlex: Parking & Transit Benefits

IRS Code Section 132(f) was amended on January 11, 2001. Employers can adopt a plan by which employees could elect to set aside money for their paychecks, on a pre-tax basis, to pay for “qualified transportation expenses.”

The qualified expenses are defined as

- (1) Transportation in a commuter highway vehicle (vanpool, bus, rail, etc.)
- (2) Transit passes
- (3) Qualified parking

The amounts that can be set aside are \$115 per month for commuting and \$220 per month for parking expenses. The maximum potential benefit is \$335 per month or \$4,020 per year.

The “Commuter Choice” provision allows employees to reduce their gross income to pay for:

Transportation Mode	Incentive	Employer Tax Benefit	Employee Tax Benefit
Mass transit (bus rail, etc. OR Vanpool	\$115 per month/ \$1,380 per year	Employer may give the employee up to \$115 per month & get a tax deduction OR Employers may allow employees to use pre-tax income and the employer saves the matching FICA taxes OR A combination of both up to statutory limits	Employee received up to \$115 per month tax free OR Employee pays for commute benefit with pre-tax income tax OR A combination of both
Qualified Parking	\$220 per month/ \$2,640 per year	Employer may give the employee up to \$220 per month & get a tax deduction OR Employers may allow employees to use pre-tax income and the employers save the matching FICA taxes OR A combination of both up to statutory limits	Employee received up to \$220 per month tax free OR Employee pays for commute benefit with pre-tax income & saves the income tax OR A combination of both



CONSOCIATE • DANSIG

P.O. Box 1068
Decatur, IL 62525
800-798-2422

ProFlex: Parking & Transit Benefits

Vanpool

Any highway vehicle that has a seating capacity of at least six adults (excluding the driver) and meets the two requirements for mileage use. At least 80% of the vehicle's mileage use must be reasonably expected to be for transporting employees to and from work and the number of employees transported for commuting is, on average, at least one-half of the adult seating capacity of the vehicle (excluding the driver).

Transit Passes

Any pass, token, farecard, voucher or similar item that allows a person to ride free of charge or at a reduced rate. Mass transit, a vehicle that seats 6 adults excluding the driver and the person is in the business of transporting people, or subscription bus services operated for or by an employer. If a voucher program is available, employers cannot reimburse cash to employees.

Qualified Parking

Parking employees use at or near work, or at or near where an employee may park in combination with mass transit, commuter highway vehicles such as "park-n-ride" lot.

Discrimination Tests

The benefits may be provided to "any" or "all" employees. This means you can pay for the parking for corporate officers and no benefit for non-officers. You may use any combination, and it is completely up to the employer. Employers can provide the benefit monthly, or give the employees a bonus at the end of the year.

Method of Payment

Payments can be made through a transit pass/voucher program, or through cash reimbursements. Voucher programs must be used or receipts must be provided and cash reimbursements can be provided to employees. Employers could require copies of transit passes as proof of expense or some other reimbursement claim documentation. Cash advances may not be used.

Cash Out

Employers may offer employees the option to give up their parking and receive the taxable value as cash, a tax-free mass transit benefit or a combination of both. Note: The cash portion not used for qualified transportation is taxable to the employee, and employers must pay full employment taxes on the amount included in the employee's income.

Excluded Employees

Self-employed individuals, 2% or greater shareholders of S corporations, Sole proprietors and partners are not eligible for the exclusion, and should be including the benefit as a taxable fringe. This means that it is subject to employee and employer taxes.

Plan Document

The law has no plan document requirements. This means that employers should put together reasonable rules for this benefit which are applied uniformly to all employees using the above information as an outline for the plan.



CONSOCIATE • DANSIG

P.O. Box 1068
Decatur, IL 62525
800-798-2422