



Commuter Choice

T A X B E N E F I T S

A win-win situation is the goal of every earnest person doing business. Offering Commuter Choice Tax Benefits is a win-win-win for employers, employees and the environment.

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. Section 132(f) covers transit and vanpool benefits as well as qualified parking. 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. As vehicle exhaust is the number one source of air pollution in the Bay Area, Commuter Choice Tax Benefits literally means cleaner air.

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), or
- 3) As a combination of these two methods (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).

For taxable years beginning in 2007, the federal limitation for the transit/vanpool benefit is \$110 a month per employee (\$1,320 a year). The federal limitation for the parking benefit is \$215 a month per employee (\$2,580 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.

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

Employees will enjoy reduced commuting costs, reduced costs associated with vehicle ownership and more spare time in that time saved commuting by transit or vanpool can be used for other activities, such as reading or catching a quick nap. Imagine arriving at work less stressed and more alert with the satisfaction of knowing you helped 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 \$110 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 \$110 a month (\$1,320 a year) increase in salary. The cost to the business, as a conservative estimate, could be \$1,421 per employee due to additional FICA and Medicare taxes (about 7.65%). Employees, meanwhile, would see only about a \$792 increase in their paycheck, thanks to income and payroll taxes amounting to approximately 40%.

On the other hand, if the employer gives the employees \$1,320 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 \$1,320 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, vanpool, or parking expenses. 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 \$110 a month (\$1,320 a year) for the commuter benefit, the employer will save about \$96 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

Sample Annual Cost/Savings When an Employee Sets Aside \$110 per month for the Commuter Benefit				
	Annual Employer Tax Savings	Employer Cost	Annual Employee Tax Savings	Employee Cost
Gross Annual Employee Cost		\$0		(\$1,320)
Payroll taxes saved @7.65% (Social Security and Medicare)	\$101		\$101	
Federal income taxes saved @28%			\$370	
State income taxes saved @6%			\$79	
Net Annual Cost/Savings	\$101	\$0	\$550	(\$770)
Effect on W-2	W-2 is reduced by \$1,320 (\$110/month)			



"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 federal

tax benefit, the Air District has a Guaranteed Ride Home Program and on-site bike lockers. Offering commuter benefits is essential, not only for employee retention and morale, but more importantly for cleaner air."

Jack Broadbent

Executive Officer/Air Pollution Control Officer
Bay Area Air Quality Management District
jbroadbent@baaqmd.gov

"The Presidio Trust looks to incorporate a wide variety of assistance programs to help our tenant employers use alternative commute modes. The Commuter Choice program formed the basis of our program. The U.S. Department of Transportation's program guidelines were simple to modify for our use."

Mark Helmbrecht

Transportation Program Manager
The Presidio Trust
MHelmbrecht@presidiotrust.gov



"The Commuter Choice benefits allow us to provide added benefit to transit and vanpool riders in addition to the taxed benefits for carpooling bicycling and walking."

Kathy Durham

City of Palo Alto
Transportation Division
(650) 329-2568
kathy.durham@cityofpaloalto.org



"Yahoo! has employees from all over the Bay Area. The tax benefits that they receive when taking transit or vanpools to work are great financial perks to our employees who choose to leave their cars at home."

Danielle Bricker

Yahoo! Inc.
Commute Coordinator
(408) 349-4729
dbricker@yahoo-inc.com



"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 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



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 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 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 ACT website at <http://www.actweb.org/mc/page.do?sitePageId=32432&orgId=asct>, or to the Federal Transit Administration website at www.fta.dot.gov/news/colleague/news_events_4627.

For further information on the Tri-Valley Resource Team on Clean Air, creators of this document, visit the Spare the Air website at www.sparetheair.org/community/resourceteams.htm.





Commuter Choice Tax Benefit Providers

Provides Benefits Administration

Benefit Resource ①④

Andrew Musolino
481 8th Avenue
New York, NY 10001
1-800-473-9595
amusolino@benefitresource.com
www.ibenefitresource.com

CBCA ①③

Patricia Gatzke
10900 Hampshire Avenue South
Minneapolis, MN 55438
952-903-6335
patricia_gatzke@cbca.com
www.cbca.com

CDSNet ①②④

Employers Choice Direct Delivery Rep
3435 Wilshire Blvd, Suite 400
Los Angeles, CA 90010
800-964-1114
sales@cdsnet-inc.net
www.transitsearch.com

Commuter Check/ ①②③

Commuter Check Direct
Steve Rossen
2980 College Avenue #7
Berkeley, CA 94705
510-704-0856
steve@commutercheckdirect.com
www.commutercheck.com
www.commutercheckdirect.com

EBS Employee Benefits ①②③④

Specialists
Chimane Rhodes
5934 Gibraltar Dr., Sutie 205
Pleasanton, Ca 94588
925-460-3910
chimane@ebsbenefits.com
www.ebsbenefits.com

RTC "Tickets To Go" Program ②

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

TranBen Partners Ltd. ①②③④

Jeremy S. Broiler
877-5-TRNBEN/877-587-6236
jeremyb@tranben.com
www.tranben.com

Trust Administrators, Inc. ①②④

Royce Charney, J.D.
1970 Broadway Suite 1140
Oakland, Ca 94612
510-451-2810
Royce@trustadmin.com
www.trustadmin.com

WageWorks ①②③④

Liana Pons
1100 Park Place, 4th Floor
San Mateo, CA 94403
650-577-5331
salesteam@wageworks.com
www.wageworks.com

Provides information on administering Commuter Tax Benefit Programs

San Francisco Bay Area Regional Rideshare Program

Call 511 (say Rideshare)
commuterbenefits@511.org
www.511.org

511 Contra Costa

925-407-0354
www.511contracosta.org

Peninsula Traffic Congestion Relief Alliance

650-588-8170
www.commute.org

Commute Connection – San Joaquin Council of Governments

1-800-52-SHARE
www.commuteconnection.com

Santa Cruz Commute Solutions

831-429-POOL (7665)
www.commuterinfo.org

Solano Napa Commuter Information

800-535-6883
www.solanolinks.com/commuterinfo

Sacramento Region 511

Call 511 or 916-340-6247
www.sacregion511.org

San Benito Rideshare

831-637-POOL (7665)
www.sanbenitorideshare.org

AMBAG Association of Monterey Bay Area Governments

831-883-3750
www.commuterinfo.org



KEY

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