



Impact level
Advanced

PRE-TAX AND TAX-FREE BENEFITS

Employers can receive tax benefits for providing certain types of employee transportation benefits. Employers who subsidize their employees' commute may receive equivalent deductions free of additional payroll and federal income taxes.

Employer savings:

- Reduce employer FICA taxes
- 2016 Transit/Vanpool: **\$255/employee/month** limit
- 2016 Qualified Parking: **\$255/employee/month** limit

Employee savings:

- Pre-tax spending accounts
- Tax-free employer-subsidized transportation benefits for transit and vanpooling, increasing take home pay
- Reduced vehicle operating and parking expenses

Case Study



Joe is single and makes \$100,000 per year working at ACME Company. He has no children, doesn't own his own home, and has no other sources of income or deductions.

- Joe must pay **\$27,267 per year** in Federal Withholding and FICA taxes.
- He pays **15.65%** on first \$8,500 earned, **20.65%** on dollars earned between \$8,500 and \$34,500, etc...
- The rate that Joe is taxed on *his last dollar earned* is **33.65%**
- Joe's employer pays **\$7,650** per year in FICA taxes. ACME Co's FICA tax rate is **7.65%**. When Joe spends pre-tax income on qualified benefits, **he saves 33.65%, ACME saves 7.65%**.



PRE-TAX | TAX-FREE CHECKLIST

- Build a case for pre-tax/tax-free benefits and present to key decision makers.
- Consult a tax advisor or other professional for detailed information regarding the tax implications of Commuter Tax Benefits.
- Set up the program: make arrangements with payroll and accounting to prepare the program to offer to employees.
- Spread the news: for employees to participate they need to know what's offered to them. Distribute flyers and emails with details about what the incentives include, how it will benefit them, when it will be available, how they can sign up, and how they receive their benefit.
- Sign them up: employers should have their employees complete a participation form. The form should include type of transit pass or voucher they want, and how much should be deducted from their income to pay for benefit.
- Start the program and distribute passes.



RESOURCES

Employer Resources

- **ORCA Passport for Downtown Seattle Employers: ORCA Passport information and cost comparison tool**
- **King County Metro Tax Guide**
(Covers WA State and Federal commuter tax benefits for employers)
- **Internal Revenue Service**
(Provides code regarding qualified commuter fringe benefits in IRS Section 132(f))
- **Best Workplaces for Commuters**
- **Commute Seattle Tax Toolkit**



Commuter Benefits Work For Us

The Commuter Benefits Work for Us Coalition consists of transit agencies, non-profit advocacy organizations and businesses dedicated to promoting the transit commuter benefit as an effective federal tool to help encourage increased use of public transportation and van pools.

Third Party Administrators

- **WageWorks**
- **Commuter Check**
- **Transit Check**
- **Tranben, Ltd**