



Background & History of Commuter Benefit

What is the Commuter Benefit:

The commuter benefit is a fringe benefit offered by employers that allows employees to set-aside, on a tax-free basis, costs associated with their commute.

Employers may offer the benefit in addition to salary (subsidy) or may offer employees the opportunity to withhold salary on a pre-tax basis. A vast majority of private sector employers offer the benefit as a pre-tax benefit.

TAX SAVINGS* FOR EMPLOYEES <i>*Based on an effective tax rate of 25%</i>	TRANSIT BENEFIT (Cap of \$255 per month)
Federal Income Tax Savings	\$765
FICA Savings	\$235
Average State/City Income Tax Savings	\$130
Total Annual Tax Savings	\$1,130

Legislative Effort for Parity:

After several years, Congress passed legislation in 2016 that included language which created parity between the parking portion of the benefit and the transit and vanpool portion. The monthly cap for parking, transit, and vanpool is now \$255/month and is subject to a cost of living adjustment.

Background and Stats:

According to the Commuter Benefits Work for Us Coalition, nearly 3.0 million people utilize the transit portion (known as the transit benefit) of the commuter benefit.

A study by the non-profit organization TransitCenter found that employees were 18% more likely to utilize transit once a transit benefit program was offered at their worksite .

What's At Stake

Transit Ridership Loss - An elimination of the transit benefit would result in roughly a 40 percent effective fare increase for a large number of commuters, as fares would be paid using post-tax earnings which are subject to state and local taxation. The quick and sharp nature of the increase would cause an acute reaction that would differ drastically from other fare increases that are eased in over time, enabling the consumer to adjust and absorb the increase. Most commuters would need to shift their mode of transportation..

More Congestion - If the transit benefit were to be eliminated, more commuters would turn in their bus and train tickets for their car keys; this means more people on the road and more congestion. Greater congestion has all sorts of impacts including less productivity out of employees, greater costs to ship and receive products, and a tardy workforce.

A New Transportation Tax - Many middle class Americans will see a large increase in their commuting costs if the benefit is eliminated. The Commuter Benefit is squarely aimed at the middle class and helps working Americans cover what is often their second largest household expense - transportation, particularly transportation related to work. Eliminating the Commuter Benefit effectively raises taxes on millions of middle class working families who are accustomed to budgeting for this important benefit to help them meet the rising costs of commuting.

Complex Accounting - Elimination of the parking benefit means that employer-provided parking now must be accounted for and taxed. So all of those parking spots in your clients' parking lots have to be assigned a value and that will be taxed.

Demand for more Parking - Speaking of parking, with the cost of transit increasing by as much as 40%, more employees will chose to drive to work, which means that many employers may have to expand parking areas or rent/lease additional parking. In urban centers, the increased demand for parking will have a ripple effect that will lead to higher parking costs.

Less Productive Workforce - More time driving, less money in their pockets, it should not come as a surprise to see a less happy and less productive workforce. Even those who were already driving will feel the impact.