



## Pre-Tax Commuter Benefit Frequently Asked Questions

### **What is the pre-tax transit benefit?**

The Internal Revenue Code allows employees to use pre-tax salary towards their transit and vanpool commuting costs. It is **IRS Code, section 132(f) Qualified Transportation Fringe**.

### **How much pre-tax salary can be used?**

Employees may use up to \$125/month, or \$1,500/year, towards their transit and vanpool commute without paying income tax on this salary.

### **How does this save money?**

The employee does not pay income tax on the amount they have taken from their salary towards their transit or vanpool commute, up to the cap of \$125/month. The employer saves on payroll costs for each participating employee.

### **Who saves with this benefit?**

Everyone can. Employees using transit or vanpool to get to work save by not paying income tax on some of their salary, reducing their payroll taxes. Employers save on the payroll taxes for each employee participating.

### **Is the pre-tax benefit the same as a flexible spending plan?**

It will appear that way to employees but this benefit is different on the payroll side. Pre-tax transit is under IRS code, Section 132(f), Qualified Transportation Fringe. It is not part of Section 125.

The pre-tax transit and vanpool benefit is open to everyone. There are no eligibility requirements, enrollment timeframes or reporting required. It may be offered to union and non-union employees. The more employees that participate in the pre-tax transit or vanpool benefit, the more the employer saves on payroll costs.

The pre-tax transit or vanpool benefit is not a "use it or lose it" benefit. It is intended to be deducted and used each month. However, since employers capture the payroll deductions upfront, the employee uses the deductions on a rolling basis. The deductions do not evaporate if not used, they remain as a credit toward the next transit or vanpool fare purchase.

**Is this something that can be claimed on your taxes at the end of the year?**

No. The deductions are made throughout the year on a pre-tax basis. It lowers taxable wages. The savings are derived from not paying income tax on that salary.

**Is this a tax write-off?**

No.

**Is the pre-tax transit and vanpool benefit the same as a transit or vanpool subsidy?**

No. They have a shared history and are related in regulations but are not the same.

The pre-tax transit and vanpool benefit is using the employee's own salary before taxes to pay towards their transit or vanpool commute. A transit or vanpool subsidy is when the employer provides employees with a transit or vanpool benefit above and beyond the employee's salary. A subsidy is employer-paid. A transit or vanpool subsidy given is tax-free for the employee and is tax-deductible for the employer. This option is also capped at \$125/month.

A combination of the pre-tax and subsidy options is also allowed. Employers may offer a transit and/or vanpool subsidy and allow employees to use the remainder of the cap with their own pre-tax salary. The combination benefit is capped at \$125/month. For example, an employer offers employees a \$20/month transit subsidy as an incentive to reduce the number of cars parking at their facility. With the current cap of \$125/month, subtract the \$20/month subsidy provided and that is the amount an employee could use from their pre-tax salary. In this example, the employees could use up to \$105/month of their own pre-tax salary, bringing them to the full amount allowed.

**Is there a minimum number of participants to offer a pre-tax benefit?**

No. The pre-tax benefit is open to every employer. Employers are able to provide the pre-tax benefit if any employees use transit or vanpool for their work commute. Programs that provide the benefit may have some participation guidelines. You would want to explore that when visiting the third-party provider's websites if this impacts your employee program.

**How do transit and vanpool commuters take advantage of the pre-tax benefit?**

Employees should ask their employer if the pre-tax transit or vanpool benefit is available. Checking with the human resources, payroll or benefit areas within your company is a good place to start.

The benefit may be referred to as the "Commuter Tax Benefit." If the employer does not already have it as part of their benefits programs, ask if it can be added. Employees can only participate through their employer; it's the only way to access pre-tax salary.

**How do employers participate?**

Employers interested in providing the pre-tax benefit have options on how they administer the program. The programs offered are based on the same pre-tax guidelines.

Many payroll service companies, such as ADP, offer a transit pre-tax benefit option. If using a payroll service company, ask the representative if they offer a commuter benefit program.

Employers that use in-house payroll can contract through several different commuter benefit providers. First, employers should consider what to give employees when providing the benefit. There are two options: the option of giving an actual transit passes/tickets or using an RTD Transit Voucher (which is also accepted by vanpool providers).

RTD Transit Vouchers are an excellent way to assist employees with their commuting needs. Employers can purchase transit vouchers from RTD's approved partner companies:

- Commuter Check – [commutercheck.com](http://commutercheck.com)
- TranBen – [tranben.com](http://tranben.com)
- Transit Center – [transitcenter.com](http://transitcenter.com)
- WageWorks – [gowithcx.com](http://gowithcx.com)

Vouchers will arrive within two weeks, and employees may redeem them at any RTD sales outlet, including King Soopers and Safeway stores. For vanpoolers, vouchers can be mailed directly to the vanpool provider. Go to the commuter benefit program websites to learn more about their programs.

**Are there fees associated with the programs?**

Fees vary depending on services offered. Explore the options with the third-party administrators.