

The Transportation Fringe Benefit & Tax Reform Background

Transportation Fringe Benefit – What is it?

The IRS considers employer provided parking and transit passes a fringe benefit. Section 132(f) of the tax code creates a policy that allows this fringe benefit to be provided on a tax-free basis in qualified circumstances. The section of law also sets a monthly limit on the amount provided, \$255/month for each. This cap is subject to an annual cost of living adjustment.

Employers and Employees Both Save:

Tax Savings for Employees <small>*Based on an effective tax rate of 25%</small>	Parking & 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

Tax Savings for Employers (Per employee)	Parking & Transit Benefit
Social Security	\$190
Medicare	\$44
Total Annual Tax Savings	\$234

How are Transportation Fringe Benefits Offered?

Transit Benefit:

The transit benefit can be offered as a subsidy, or a pre-tax elective. Most employers offer the transit benefit as a 'pre-tax' option. Some employers provide the benefit as a subsidy (full or partial).

Parking Benefit:

Like the transit benefit, it too can be offered as a subsidy or pre-tax elective, but a clear majority of employers around the country provide parking as a subsidy, many without knowing it because it's not something that comes up on an accounting or tax form, its simply providing their workers a place to park on their property.

Does the Transportation Fringe Benefit Only Impact Urban America?

NO!!!!

Nearly all working Americans are provided parking by their employers. If section 132(f) were to be eliminated, it would create a tax on the value of such parking and would place a new financial burden on working Americans for simply going to work. This tax could be as much as \$2,000 for a working family.

Would employers be taxed too?

YES! Large and Small – Urban & Rural

Not only would workers be taxed, but employers providing parking and transit benefits would also be taxed, as much as \$234 a year per employee.

Will Eliminating the Transportation Fringe Benefit Help Simplify the Tax Code?

No! It will make it MORE complicated for employers

Transportation fringe benefits are easy to provide, most employers around the nation provide the parking benefit without even noticing it. Similarly, providing the parking & transit benefit has been made simple for employers by payroll providers and third-party administrators.

Eliminating the transportation fringe benefit will force employers across the country to account for the value of parking they are providing, creating a complex, costly, and unnecessary process!

Americans will still be able to mail in their taxes on a postcard if the transportation fringe benefit is preserved!

Does the transit benefit work?

Yes!

When the transit benefit is offered at a work place, studies have shown that between 15-22% of the workforce alters the way they commute. This has a significant impact on our transportation system, reducing wear and tear on our roads and helping to relieve congestion.

What are the impacts of eliminating the transportation fringe benefit?

- **NEW COMMUTER TAX** - Essentially creates a commuter tax that will impact ALL working Americans, costing individuals as much as **\$1100/year and more than \$2,000 year for a working family. The new commuter tax will also cost employers \$234/year per employee.**
- **MORE COMPLEX TAX CODE FOR EMPLOYERS** - Eliminating the transportation fringe benefit will force employers across the country to account for the value of parking they are providing, creating a complex and unnecessary process!
- **INCREASED CONGESTION** - Eliminating the transit benefit will increase transit costs by an average of 40%, forcing many back into their automobiles and increasing congestion which:
 - **Will Increase Need for Federal Spending on Roadways** – more cars on the road means greater need for maintenance and expansion and thus adding pressure to the already overwhelming need for Federal investment in transportation.
 - **Less Productive Workforce** – American workers and commerce will be stuck in traffic, impacting economic growth and productivity
 - **Force Additional Subsidy for Transit** – With fewer passengers, transit agencies will look to local, State, and Federal partners to help cover costs lost by the result of lost revenue.

**ACT Calls on Congress to NOT Tax Workers on their Way to Work
The Transportation Fringe Benefit is an Important Piece of Tax Policy
and Eliminating it will Impact ALL Working Americans**