

Commuter Tax Benefits

There are many ways to implement or improve an existing commuter benefit program at little or no cost – offering certain employee benefits can actually save your company money.

Corporate Tax Benefit Information

Under the Transportation Equity Act, IRS code 132(f), and California state law, employers are allowed to offer payroll tax savings for transportation assistance. Employers also have the option of subsidizing part of their employees' commuting costs and allowing employees to pay for the remainder with pre-tax dollars.

The IRS has deemed the following monthly amounts allowable under tax code IRS 132a:

Transit or vanpool = \$255	Bicycle Subsidy = \$20
Qualified Commuter Parking = \$255	Combined Parking & Transit Benefit = \$255

Commuter benefits are considered tax-free benefits, not employee wages, so your company can save on average 7.65% in payroll taxes. Employees who participate in your commuter benefit program don't have to pay income taxes on the money they set aside for their commute, saving up to a whopping 40% on their commuting expenses.

Launching a program

Call your payroll service provider for the IRS 132a account code. Next, create a sign-up sheet for your employees. The following things should be considered when drafting a pre-tax fringe benefit program: commuting options covered, monthly limits, cut-off dates, employee eligibility requirements, eligible/ineligible commuting expenses, proper/improper use of commuter benefits, how to sign up and how benefits will be distributed. Vouchers, commuter checks, pre-purchased transit passes, direct pay, and cash reimbursement are all acceptable forms of reimbursement. Finally, market your new program! Start with an eNewsletter and posters around the office.

Listed below are additional resources to help you create a Tax Benefit Program at your business/organization.

Resources

- [IRS – Publication 15-B](#)
- [Market Watch: Snagging tax-saving transportation benefits](#)
- [Commuter Tax Benefits White Paper](#) from the Best Workplaces for Commuters
- [Transit and Vanpool Tax Fringe Benefits](#) from the Best Workplaces for Commuters
- [Bicycle Commuter Tax Benefit Information](#) from the League of American Bicyclists
- [Tax Incentives for Commuters](#)