

# PARKING & TRANSIT



## what it is...

Internal Revenue Code Section 132 and the Transportation Equity Act for the 21st Century (TEA-21) allows for employers to offer employees the opportunity to set aside a portion of their salary to pay for certain transportation expenses. The employee will not be taxed on the amounts that are set aside and used for qualified expenses.

Qualified transportation expenses generally include payments for the use of mass transportation (i.e. train, subway, bus fares), and for parking. The maximum monthly pre-tax contribution is \$110 for mass transit and \$215 for parking.

## how it works...

Before the start of the plan year, employees elect to set aside a certain amount of pre-tax salary to cover qualified costs incurred in commuting to work. The employee will designate an amount (up to \$110 per month) for mass transit expenses and a separate amount (up to \$215 per month) for parking expenses---These accounts must be kept separate, and funds cannot be transferred between accounts

As the employee incurs the expenses during the year, he or she may use the debit card (if applicable) or a request may be submitted for reimbursement. Any amounts remaining in the employee's reimbursement account at the end of the plan year are carried forward to the next year.

## parking expenses include...

- Parking a vehicle in a facility that is near the employee's place of work.
- Parking at a location from where the employee commutes to work (Example: The cost of parking in a lot at the train station so that the employee can continue his/her commute on the train).

## mass transit expenses include\* ...

- Transit passes for mass transportation to and from work. Qualified amounts include costs of any pass, token, fare card, voucher, or other item that entitles the employee to use mass transit for the purpose of traveling to or from his/her place of work.

Sample Federal Income Tax Rate Plus FICA	Annual Salary Deduction (\$325 per month for one year)	Tax Savings
22.65%	\$3,900	\$883
35.65%	\$3,900	\$1,390
37.45%	\$3,900	\$1,460
41.05%	\$3,900	\$1,600

*\*Mass transit can be a public system, or a private enterprise provided by a company/individual who is in the business of transporting people in a "commuter highway vehicle." Such a vehicle must have a seating capacity for six or more adults (not including the driver), and at least 80% of the vehicles' mileage must be from transporting employees to and from their place of work. Additionally, the vehicle must be carrying at least three passengers (not including the driver). Commuter highway vehicles may be owned or leased by an employer to be used by employees or a third-party provider for transportation purposes.*

no "use-it or-lose-it penalty"