

Employee Commuter Benefits: A Boost to Your Bottom Line

Currently, 7.6 million workers in the United States receive employer-provided commuter benefits.¹ Are your employees among them? If the answer is no, your company should consider joining the growing number of employers who are offering such benefits – and reaping the fiscal rewards.

Commuter benefit programs vary in scope, so employers can design programs based on their desired level of involvement and the unique needs of their workforce. Programs can range from informal initiatives that encourage workers to arrange shared ride options to highly structured programs managed by designated staff. At any level, offering commuter benefits enables your company to positively influence your employees' travel choices, promote a more productive work environment, improve employee retention, and demonstrate a commitment to cleaner air in the community.

Save Your Company Money!

- Save thousands of dollars in hiring and training costs by providing a commuter benefit program for employees, many of whom may struggle with rising transportation costs. One study found that, on average, it costs a firm 25 percent of a position's annual salary plus 25 percent of the cost of benefits to replace an employee.² Furthermore, when considering the indirect expenses of advertising, recruitment, and new employee training, not to mention lost productivity, it can cost a company up to 150 percent of an employee's annual salary to replace him or her.³
- Increase employee productivity by promoting commuter habits that reduce employee commute times and late arrivals.

- Save on overhead costs associated with maintaining on-site parking lots and garages and adding more parking spaces to keep up with a growing workforce by encouraging shared rides to work.
- Reduce payroll taxes by allowing employees to use pre-tax dollars for transportation (See Fact Sheet #6.)

Increase Your Business's Ability to Recruit and Retain Employees

- Compete and win at hiring and retaining the most qualified workers by offering comprehensive benefits, including a commuter benefit program.
- Build a more diversified workforce and create a more positive work environment by attracting workers who might otherwise not be able to commute to your company's facility.
- Present your company as an innovative and proactive workplace.
- Demonstrate your company's support of work-life balance, which is increasingly important to today's workforce.

The "Transportation Toolkit for the Business Community" gives businesses the information they need now to assist their employees in achieving a timely, cost-efficient commute that promotes their productivity and job satisfaction. View other fact sheets and resources at www.ctaa.org/transportation_to_work for information on how to access transportation-related tax benefits, partner with local providers to find answers to employees' and customers' transportation needs, become part of a transportation management association, and more.

This toolkit was created by the Community Transportation Association of America's Joblinks Employment Transportation Initiative—serving communities since 1993 in solving employment transportation issues.

1 — Bureau of Labor Statistics. 2008 National Compensation Survey. Employee Benefits Survey: Quality of Life Benefits: Access Data Table, Civilian Workers. <http://www.bls.gov/ncs/ebs/benefits/2008/ownership/civilian/table24a.htm>. Accessed December 1, 2008.

2 — Carol A. Schwartz and Nancy L. McCabe. "Staff Turnover: What It Costs in Dollars and Cents." *Optometric Management*, May 2000. http://findarticles.com/p/articles/mi_qa3921/is_/ai_n8892797. Accessed December 1, 2008.

3 — Arlington Transportation Partners. Retaining Skilled Employees. <http://www.commuterpage.com/atp/suc-retain.cfm>. Accessed December 1, 2008.



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TRANSPORTATION SOLUTIONS TO THE WORKPLACE

- Use the commuter tax benefit as an inexpensive way to give employees a net pay increase (See Fact Sheet #6.)
- Reduce employee stress and increase employee morale and employee job satisfaction by promoting commute options that are less burdensome.
- Support vanpooling and other forms of ridesharing by offering a Guaranteed Ride Home program (see Fact Sheet #13). Offered by many employers across the country, these programs typically provide a ride home for registered carpoolers and vanpoolers for specified emergencies (e.g., sick child, family emergency) and are usually available at no cost to the user. Knowing this option is available encourages many workers to reconsider shared ride options as a viable alternative to driving alone to work.
- Offer employees opportunities to compress their weekly schedules or telecommute or. Volatile gasoline prices, which reached an all-time high in 2008, have caused many companies to consider new ways to keep employees happy.

Support Local Community Development

- Support your local transit systems and community's economic development goals by encouraging employees to use public transportation.
- Provide workers with more disposable income to spend in their communities by offering access to affordable transportation to work.

Promote Your Company as Environmentally Responsible

- Have a positive impact on the environment by encouraging employees to use public or shared transportation or walk or bike to work—and thus ease traffic congestion and reduce vehicle-based emissions. (See Fact Sheet #14.)

Don't be shy about marketing your company as environmentally friendly!

Increase Customer Access to Your Business

- Improve customers' access to your business, as well as ensure a faster delivery of goods and services, by reducing traffic congestion and increasing available on-site parking.
- Expand your business's service hours without significantly increasing costs by allowing employees to work flexible or staggered work hours, thereby providing additional staff coverage and better customer service.

The Joblinks "Transportation Toolkit for the Business Community" was created with funding from the Office of Disability Employment Policy, U.S. Department of Labor, through a cooperative agreement between the Community Transportation Association of America and the Federal Transit Administration. The opinions and conclusions expressed herein are solely those of the authors and should not be construed as representing the opinions or policy of any agency of the federal government. May 2009.



Tax Incentive for Businesses: A Direct Dividend of Commuter Benefit Programs

In addition to benefiting your employees, offering commuter benefits has fiscal advantages. Tax incentives offered by federal, state, and local governments make it easier than ever for businesses to pursue transportation-related perks.

Federal Qualified Transportation Fringe Benefit

The Qualified Transportation Fringe Benefit program (governed under Section 132[f] of the IRS Code) provides a tax incentive to employers for employees who commute to work by any eligible means. The benefit program also applies to parking and bicycling costs. (Refer to the Taxable Fringe Benefit Guide cited below for in-depth information, including rules for offering a commuter benefit program.)

Commuter benefits offered by an employer are exempt from withholding and employment taxes and are not reported as taxable wages on the employee's W-2 form. They are also deductible as an employer-provided benefit from the employer's gross profit. For example, in 2009, private employers offering commuter tax benefits for public transportation or vanpooling could save more than \$1,000 per month per employee. See Resource #1 to calculate the savings for your company.

1. Qualified Transit Benefit

Employers can provide commuter tax benefits in several ways, as long as they apply to work-related trips taken on a publicly or privately owned or operated transit vehicle, including bus, rail, subway, ferry, subscription bus, shuttle, or a contracted commuter highway vehicle. This also includes a vanpool that seats at least 7 people, including the driver, if the vanpool meets the definition of a commuter highway vehicle as defined by the Internal Revenue Code. (Refer to the Taxable Fringe Benefit Guide cited below for in-depth information.)

Employers can structure their commuter benefit program in one of three ways:

- **Benefits in addition to salary:** Employers can provide each employee with a transit pass or any similar item entitling them to transportation on a qualified vehicle or, in limited cases, cash reimbursement when no pass or similar item is available and when use is strictly

substantiated. As of March 2009, your business can claim up to \$230 per month per employee as a normal business expense, which is exempt from federal payroll taxes.

- **Employee pre-tax set-aside:** Employers may set aside an employee's pre-tax income amount, up to a maximum of \$230 per month, for commuting expenses on a qualified vehicle. Employers pay employment taxes only on the reduced amount of the employee's salary.
- **Combination of reimbursed benefits and pre-tax set-aside:** Employers can choose to pay part of an employee's commuting costs, deducting that amount as an employee benefit, and then deduct the remaining cost up to \$230 per month per employee from an employee's salaries before calculating taxes.

2. Qualified Parking Benefit

Employers can also choose to help cover employees' cost of parking at a lot from which they commute to work by a qualified vanpool or public transit vehicle in one of three ways:

- Paying for their parking directly,
- Deducting the cost of the parking pre-tax from the employees' salary, or

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- A combination of both, up to a maximum of \$230 per month per employee in 2009.

Employers who provide parking on or near the business work premises can deduct the cost of that parking, again up to a maximum of \$230 per month per employee in 2009, as a normal business expense. Combined, the commuter tax benefit and the qualified parking benefit can result in deductions of up to \$460 per month per eligible employee. (Refer to the Taxable Fringe Benefit Guide cited below for in-depth information.)

3. Qualified Bicycle Benefit

New in January 2009, employers may also provide reimbursements of up to \$240 per year (\$20 a month) for reasonable expenses incurred by an employee for the purchase of a bicycle and bicycle improvements, repair, and storage if the bicycle is regularly used for travel between the employee's residence and work. However, reimbursement for bicycle commuting is not available for employees who already accept a parking or transit subsidy. Unlike the other qualified transportation fringe benefits, a qualified bicycle commuting reimbursement benefit cannot be funded through employee pre-tax income.

State Tax Credits and Local Tax Incentives

Maryland and Minnesota allow businesses to claim a tax credit for amounts they pay toward employee commuting costs. In Maryland, businesses can claim a tax credit for 50 percent of the eligible costs of providing eligible commuter benefits up to a maximum of \$50 per employee per month. In Minnesota, employers that purchase transit passes to resell or give their employees may be eligible for a 30 percent state tax credit. Some counties or cities may also provide incentives

for businesses to help employees cover their commuting costs. Montgomery County, Maryland's Fare Share program matches employers' contributions for employees' commute by public transportation on a sliding scale (50/50 the first year, 60/40 the second, and 70/30 the third year) up to \$20,000 over three years.

Before implementing any type of commuter benefit program, consult your tax advisor.

Resources

2007 Commuter Transit Impact Survey. TransitCenter, New York, NY. [transitcenter.com/uploadedFiles/Transit_Resources/IndustryInformation/2007_Commuter_Impact_Survey.pdf]

Taxable Fringe Benefit Guide, 2009. Internal Revenue Service, Washington, DC. [http://www.irs.gov/pub/irs-tege/fringe_benefit_fslg.pdf]

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Commuter Tax Benefit Program: Calculate the Savings For Your Business

Benefit administrators such as WageWorks; TransitCenter, Inc.; Accor Services USA; and WiredCommute can help you implement a commuter tax benefit program.

Accor Services USA has an online calculator to help you determine the cost savings of providing the commuter tax benefit. Follow the link below, click on Tax Savings Calculator and plug in the numbers to see the potential cost savings for your business. You can also use the Environmental Impact Calculator to see emissions saved by providing this benefit.

<http://www.accorservicesusa.com/home.aspx#>

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