

Transportation Fringe Benefits

Section 132 of the Internal Revenue Code allows for qualified transportation benefits to be paid on a pre-tax basis. Qualified transportation costs that may be included in this benefit include payments for transit passes, payments for transportation in a commuter highway vehicle, and certain qualified parking costs. All qualified costs are paid through salary reduction and as such escape federal, social security, and state income tax. The concept mirrors that of a Cafeteria Plan. TASC offers this benefit as part of our overall third party administrative services.

Eligible Expenses Under the Transportation Fringe Benefit

- A transit pass: this is any pass, token, fare-card, voucher, or similar item that entitles a person to transportation on mass transit facilities which include (but are not limited to) transport by rail, bus, train, or ferry.
- Transport on a commuter highway vehicle: the vehicle must have a seating capacity of at least six adults and at least 80 percent of the mileage must be expected to be for purposes of transporting the employee between their residence and their place of employment.
- Qualified parking: this includes costs paid for parking on or near the employer's business premises or at a location from which the employee commutes to work by mass transit facilities, commuter highway vehicle, or carpool.
- Some examples of costs that do not meet the "qualified transportation" definition include gas, insurance, tolls, etc.

The Transportation Fringe Benefit

All related costs may be paid through salary reduction, which benefits employees as they escape federal and state income tax, in addition to Social Security and Medicare taxes. Depending on the type of transportation expenses, the benefit may operate similarly to the Dependent Care FSA or the Individual Premium Reimbursement component of a Cafeteria Plan.

- If parking is in an employer-provided facility, the employer may deduct the cost of parking on a pre-tax basis. As such, this deduction will be a payroll adjustment, treated much the way group-sponsored health insurance is handled under Section 125.
- If vouchers are readily available for direct distribution by the employer, cash reimbursements are not permissible. However, these vouchers may be purchased by the employer for distribution and the amount deducted from the employee's paycheck.
- Under other circumstances, a reimbursement account will need to be established. Through salary reduction, funds will be deposited into the reimbursement account, and reimbursements will be cut immediately for the incurred expenses submitted by participating employees.
- **Monthly limits do apply.** Contact FlexSystem Client Services for current limits.

Change in Elections

Changes may be made to these elections each month, as the amounts paid each month may fluctuate.

Reimbursement Procedure

Administration and operation of the transportation benefit is simple. If you offer this benefit, Participants must make an election via an enrollment form and must keep in mind the monthly limits mentioned earlier. Any fund balances remaining at the end of the Plan-year will be forfeited unless you choose to carry these funds forward to the following Plan-year for use by the employee. Funds will be accepted as a special adjustment through the Payroll Verification Report Management only (at MyTASC). Enter the transportation costs on the line assigned for transportation benefits within the Request for Reimbursement process.