

TCJA Impact on Transportation Fringe Benefits

The Tax Cuts and Jobs Act (H.R. 1) made several changes to how employees can assist employees with their commute, specifically impacts on if they offer parking or transit fringe benefits. With the changes comes a significant amount of confusion and misinformation.

Below, for your use and consideration, is a summary of exactly what TCJA has done related to employers providing commuting options.

We hope this will provide you with some basic materials and understanding as constituents and other organizations call with questions or concerns

Impact of TCJA on Employee Parking/Transit Benefits

Tax reform did not change the tax-advantaged status of transportation fringe benefits for employees, apart from the bicycle benefit.

Bicycle Benefit - The TCJA eliminated the tax advantage status for individuals who received the bicycle benefit until the end of 2026. Prior to its elimination, the bicycle benefit could only be provided as a subsidy and could not be mixed with other transportation benefits.

Impact of TCJA on For-Profit Organizations Offering Commuting Options

Under the changes in tax reform, For-profit organizations can no longer deduct ANY expenses related to their employee's commutes. This includes:

- Parking provided for free
- Subsidized parking
- Subsidized transit
- Employee shuttles
- Pre-tax Parking or Transit
- ANY other expense related to getting an employer to and from work.
- *The only exception is expenses related to biking to work, employers may deduct expenses related to providing bicycle benefits even though the individual does not receive a tax advantage. (this does NOT include bikeshare)*

For-profit companies may still enjoy payroll tax savings (7.65%) for providing a formal transportation fringe benefit program.



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Impact of TCJA on Tax Exempt/Non-Profit Organizations Offering Transit

Under the changes in tax reform, **Tax Exempt** or **Non-Profit** organizations shall be taxed 21% on:

- The amount provided to an employee for a transit benefit (regardless of if its a subsidy or voluntary pre-tax deduction)
- The value of parking provided for free
- The amount provided to an employee for a parking benefit (regardless of if it's a subsidy or pre-tax parking deduction)

TCJA says that tax-exempt organizations must add the value of the above expenses to the amount they declare as 'unintended business taxable income' and as such pay the corporate tax rate for such expenses, 21%

Tax-Exempt organizations may still enjoy payroll tax savings for providing a formal transportation fringe benefit program.

Congressman Conaway (R-TX) has introduced legislation that would rescind the UBTI/fringe benefit changes for non-profit organizations (HR 6037). For more information on that legislation and co-sponsoring it, contact Matthew.Russell@mail.house.gov