

# Why converting to a Pre-tax Parking/Transit Benefit Program Makes Sense for Employers After Tax Reform

- Regardless of whether employers provide a pre-tax benefit program. Any parking that is given-to, paid-for, or in anyway provided by an employer cannot to be written off.
- The only scenario in which an employer is unaffected by changes in the tax law is if an employee is not provided parking (or any transportation) by an employer and the employee must find and pay for parking by themselves.
- The only way employers can reduce their tax burden is through formal parking and transit benefit programs (consistent with IRC Section 132(f) whereby employers are provided a 7.65% FICA savings.
- If parking is provided indirectly by an employer (i.e. parking is a part of leased or owned space) then the employer is subject to the changes.

*Employers should consult their tax advisor.*



## Scenario

ACME CORP  
 200 Employees  
 175 Park at company owned lot  
 25 take transit

Inputs	Values	Tax burden on amount unable to be written off	Per Person	annual payroll tax savings	Per Person	Total Savings
# ppl parking	175	\$ 70,560.00	\$ 403.20	\$ 25,704.00	\$ 146.88	
# ppl transit	25	\$ 10,080.00	\$ 403.20	\$ 3,672.00	\$ 146.88	
value parking spot	160					
avg. monthly transit	160					
<b>Total</b>		\$ 80,640.00		\$ 29,376.00		<b>\$ (19,296.00)</b>

In this scenario, under the new tax law, ACME corps is subject to pay:

- \$70,560 in corporate taxes (21% corporate tax rate) for the parking provided to the 175 people who drive to work regardless of whether or not a pre-tax benefit program is put into place.

IF a pre-tax transit/parking benefit program were to be put into place, ACME Corps:

- Is still subject to \$70,560 in corporate taxes for the parking provide, and is subject to \$10,080 in additional taxes for the pre-tax transit benefit, However,
- Acme corps saves on not having to pay \$25,704/year in payroll taxes for those who park and \$3,672 for those who take transit.

**Under this scenario, having a pre-tax program in places saves ACME corp. \$19,296**

**By entering into a pre-tax transportation fringe benefit program, ACME corp. is able to reduce it's tax liability by as much at 36%**