

Transit Benefit Ordinances - Separating Myths from Reality

NJ State Ordinance

The New Jersey Senate recently passed a bill, S 1567, that would require employers to offer pre-tax transit benefits to their employees. An identical bill, AB 2425, is awaiting action by the NJ Assembly Appropriations Committee. This legislation is designed to help employees commute to work by providing Federal tax savings. Employers also save on their share of FICA. The Federal law is found in Internal Revenue Code Sec. 132(f).

The following is an effort to clear up misconceptions about the pending legislation.

Myth: I don't have any employees that use transit, but I have to set up a program.

Reality: If you don't have employees that use transit, there's nothing to do. Employers are required to offer a pre-tax benefit only when employees commute by transit (bus, rail, vanpool).

Myth: A transit benefit program is going to be expensive.

Reality: Actually, no. NJ Transit's Business Pass Program is free. For employers that use third party providers, your FICA tax savings (7.65% on every dollar set aside for transit by the employee) typically offset fees charged by third party providers.

Myth: Administering a transit benefit program is time consuming and my payroll system can't handle it.

Reality: Surveys of companies that offer the benefit indicate they spend about one hour per month on administration. Your payroll processor or payroll software is probably set-up to handle transit benefit.

Myth: I have less than 20 employees, so I can't offer the benefit

Reality: The law does not require you to, but experience in other cities shows that small businesses that offer the benefit have a competitive edge on those that don't. It also helps attract and retain employees that might look to larger employers that offer it.

Myth: There are lots of rules and reporting associated with the program.

Reality: Transit Benefit programs are very popular with businesses throughout New Jersey. They are surprisingly easy to implement and there are no reports to file. NJ Transit or any third-party administrator can help you set-up your program. The state's eight Transportation Management Associations (TMAs) which are private, non-profit organizations established to work with employers and governments to help provide effective and efficient commuting and other transportation options can also aid.



*Myth: **Once the law passes, I can't possibly implement a program right away.***

Reality: The law delays implementation for 365 days. The Department of Labor and Workforce is charged with developing rules "in a manner that is most compatible with current practices for providing pre-tax transportation fringe benefits."

*Myth: **This is just for employees that commute to Newark, Camden or Trenton.***

Reality: Due to the extensive bus and rail network in New Jersey and the availability of vanpools, commuters in just about every part of the state can take advantage of it. The TMAs, noted above, can help identify commuting options. Since a similar ordinance is in place in New York City, many NJ residents already receive the benefit.

*Myth: **The NJ Treasury will lose money in lost tax revenue.***

Reality: Because NJ personal gross income is reported differently to the State compared to the IRS, the State will not lose any tax revenue.

*Myth: **Employees must use transit or vanpools.***

Reality: The law is designed to encourage employees to use alternatives to driving alone and provides an incentive through use of a Federally permitted tax break. Employers also find that having employees who use transit or even carpool can reduce their need to provide and maintain parking spaces. These spaces can be freed up for customers, or even reuse of the property.

For more information on transit benefit ordinances, visit: <http://www.smartertransportation.org/state-local-policies/transportation-fringe-benefits-ordinance-information-active-campaigns/>



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