Transit Benefit Ordinances

Executive Summary

What Are Transportation Fringe Benefits?

Transportation Fringe Benefits, or Commuter Benefits, refers to the tax treatment that is provided to employees in relation to certain commuting costs. Under Federal law (26 U.S. Code § 132f), an employer may provide (or withhold) up to $260/month* for qualified parking, transit, and vanpool expenses.

Commuters Save $$$

The primary advantage to employees is that the transit benefit provides tax incentives to those who take transit or a vanpool. These savings do not include the hundreds of dollars a year saved from auto-related expenses like fuel, maintenance, and insurance.

Tax Savings	Transit (max $265)**
Federal Income Tax Savings	**$ 795**
FICA Savings	**$ 243**
Avg. State/City Income Tax Savings	**$ 135**
Total Annual Employees Savings	**$ 1,173**

** Based on a 25% tax bracket (most common)

What is a Transit Benefit Ordinance

A transit benefit ordinance is a policy enacted by a municipality requiring employers to offer a pre-tax transportation benefit to their employees. This policy has shown to be an effective tool in getting more commuters out of a single occupancy vehicle and into a vanpool or transit.

> *The 2016 San Francisco report to the State legislature shows just how effective these policies are. In that report, San Francisco found that more than 44,000 cars were taken off the road each day because of this policy.*

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Getting Started

Who can implement?

The question of who can implement varies from region to region depending on the authority that is granted to different types of municipalities. However, to-date, transit benefit ordinances have been initiated by:

- City Government
- Regional Transportation Authorities
- State Legislatures

What Should a Transit Benefit Policy Include?

Employee threshold and definition of what an employee is – Most ordinances are based upon a minimum number of employees, ranging between 25-50 employees. Below are some questions to think about when determining what qualifies as an employee:

- How many employees are required for an employer to be included?
- Are full-time only or part-time employees included?
- Must all employees work in the jurisdiction in order to be counted?
- Are certain employees exempt from the count?
- What is the definition of employee in your state/local jurisdiction?

Enforcement mechanism – Examples include:

- **Fine –** Failure to comply after a certain amount of time will result in an annual fine per employee. That fine could be used to create and expand transportation choices for commuters in the area.
- **Carrot rather than a stick –** In lieu of a fine or penalty, some jurisdictions may prefer rewarding complying businesses with such means as reduced taxes or direct financial incentive

Marketing plan – Successful policies include funding for marketing and technical assistance. While implementing a transit benefit program is simple, having a team to work with employers is an important component of a transit benefit plan.

Key to Passage

Communication & outreach – Prior to taking any action on an ordinance, stakeholders including transportation advocates, transit agencies, and business leaders should come together to learn about the transit benefit. The employer community is often opposed to mandates. However, upon learning about the value of the transit benefit for both the employer and their employees, we have found the business community to be a willing partner in passing transit benefit ordinances.