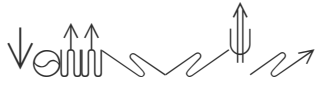
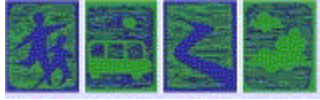




Transportation Air Quality Center



How Benefits Can Be Offered

1. Additional Benefit / In Addition to Compensation

An employee may receive the benefit *in addition to* their current wages. Specifically, they can receive transit, vanpool, and parking benefits *completely free of all U.S. payroll and Federal income taxes* up to specified limits. The employer pays for the benefit and receives a deduction from his/her Federal business income taxes for the value of the benefit. Neither the employer nor employee pays payroll taxes or other related payroll costs on the benefit.

Examples:

- Employer purchases a \$65 monthly subway or bus pass and gives it to the employee. Employee pays no payroll or income taxes on benefit. Employer pays no payroll taxes and deducts \$65 expense per month, or \$780 annually;
- Employer provides a free vanpooling service. Employer and employee experience same tax savings as above;
- Employer offers \$80 instead of the parking space (Parking Cash Out). Employee can take \$80 as taxable income or keep tax-free parking space. If employee elects \$80, payroll taxes will apply to both that employee and to employer. In either case, employer deducts \$80/month, or \$960/year, from Federal business income taxes for that employee's benefit.

2. Pre-Tax Benefit / In Lieu of Compensation

An employer may permit employees to *set aside some of their income, before Federal taxes*, to pay for qualified commutes. Employees may use this pre-tax income to pay for transit, vanpools, or parking. Employees would not pay Federal income taxes or payroll taxes on the amount they elect to set aside for the commute option, and employers would not pay U.S. payroll taxes since the amount is treated as a benefit rather than as taxable salary.

Example: Employee asks employer to set aside \$65 per month, \$780/year, of existing (pre-tax) salary for a subway or bus pass. Employee saves Federal payroll and income taxes on \$65 per month. Employer saves Federal payroll taxes on \$65 per month.

3. Cost-Sharing

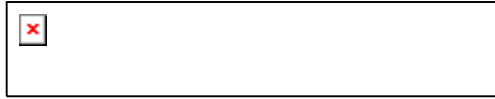
An employer may *share the cost of commuting* to and from work with their employees. They could do this through a combination of numbers (1) and (2) above.

Example: Employer provides a \$35 transit pass. Employee asks employer to set aside \$30 per month from existing (pre-tax) salary. Employer saves payroll taxes on \$65/month and deducts the additional \$35/month expense. Employee saves on Federal payroll and income taxes for the \$65 benefit.

The New Tax Laws Mean:

Employees can receive the specified benefits for their work commutes *in addition to or in lieu of* compensation (or a combination of) up to these Federal limits: *

- Up to \$175 monthly for parking at or near work site and transit facilities (*Federal tax-free*)



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