

TAX-FREE COMMUTER BENEFITS FOR YOUR EMPLOYEES



Subsidizing DTA passes is a great addition to your employee's fringe benefit package because they are tax-free for your employees and fully tax-deductible for your business.

Commuter Pass Program Tax-Free Employee Benefits

The DTA's Commuter Pass Program and tax-free transit benefits will encourage your employees to ride the bus to work. This will free-up parking for your customers while lessening the demand for employee parking. Transit benefits are tax-free to employees and tax-deductible for employers through Internal Revenue Code Section 132 and the Transportation Equity Act for the 21st Century (TEA-21). It allows employers to offer employees the opportunity to set aside a portion of their salary to pay for certain transportation expenses. The employee will not be taxed on amounts set aside and used for qualified expenses.

Qualified Transportation Fringe Benefits: For 2015, the monthly limit on the amount that may be excluded from an employee's income for qualified parking benefits is \$250. The combined monthly limit for transit passes and vanpooling expenses for 2015 is \$130.

Under IRS Section 132 and TEA-21 qualified transportation expenses generally include payments for the use of mass transportation. For 2015, the maximum monthly pre-tax contribution for mass transit and van-pool is \$130.00, and \$250.00 for parking.

How Section 132 Works: Before the start of the Section 132 plan year, individual employees elected to set aside a certain amount of pre-tax salary to cover qualified costs incurred in commuting to work. The employee will designate an amount (up to \$130.00 per month) for mass transit expenses and a separate amount (up to \$250.00 per month) for parking expenses — separate reimbursement accounts are maintained for each category, and funds cannot be commingled or transferred between accounts. As the employee incurs Section 132 expenses during the year, a request form may be submitted to the employer for reimbursement. If the employee does not use the full amount before the end of the program year, the left over amount is carried forward to the next year.

Subsidized DTA Passes

The Commuter Pass Program enables participating employers to offer tax-free subsidies to employees buying a 31-Day Pass at work. The DTA establishes "on-site pass outlets" for participating employers and assists them in marketing the benefits.

Commuter Pass Program Partners

Businesses currently participating in the Commuter Pass Program that offer discounts for their employees include: Essentia Health (St. Mary's Medical Center, Duluth Clinic, Miller-Dwan and Polinsky Rehabilitation), St. Luke's Hospital, Minnesota Power, TeleResources Inc., Maurice's, Barr Engineering, Wells Fargo Banks, St. Louis County and the City of Duluth.

Options for Every Budget Employer-Paid Benefit

Employers offering full transit benefits for employees can take full advantage of this federal tax break. In the Twin Ports, the total cost of a DTA pass (Only \$40) is fully deductible for employers, as the cost is less than \$130 per month. Employers offering transit benefits (in lieu of wage increases) will save on FICA, Federal employment and Federal income taxes.

Employee-Paid Pre-Tax Benefit

By establishing a pre-tax deduction program, employers can allow their employees to use part of their existing gross income to pay for their bus pass. Even though the employee pays full price for the transit benefit, they save by paying less Federal payroll and income taxes. Depending on state law, individuals may also avoid state and local income taxes on earnings set aside.

Fare Share Benefit

The third option enables employers and employees to share the costs. The employer subsidizes a portion of the cost and allows employees to pay for the balance from pre-tax income. Whatever amount the employer contributes, they will save on payroll taxes. Employees will save on income taxes by having their portion of the cost regularly deducted from their paychecks.

Company-wide Pass

The fourth option is the establishment of a company-wide pass program, which gives employees unlimited DTA service for an annual fee. The DTA will survey current ridership at a business and determine an annual employer cost for this option. Company I.D. cards or DTA fare cards can be used for this option.

Start a DTA Commuter Pass Program Today!

Starting a DTA Commuter Pass Program is easy! Simply contact the DTA Marketing Department to get started. A "pass outlet arrangement" will be established at your business for the convenience of your employees. The DTA will also help market the new tax-free transit benefits to your employees. The size of your business is not a factor because the Commuter Pass Program is designed to accommodate businesses of all sizes. For more information, please contact the Director of Marketing, Heath Hickok, at 218-623-4314 or send an email to hhickok@duluthtransit.com.

