

Commuter Tax Benefits

As of 2007, employer may offer expanded tax-favored benefits to their employees. Section 132(f) of the federal tax code enables employers to ease employee's commuting costs in several ways.

- Employer-financed – Employers may underwrite their employees transit or vanpool commuting costs, up to \$110 – and offset qualified parking expenses up to \$215 – per employee, per month.
 - Employer perspective – Costs are a deductible business expense.
 - Employee perspective – Transit, vanpool or parking benefits are free of all payroll and income taxes.

- Employee-financed – Employers may allow employees to set aside pre-tax dollars to purchase transit passes, pay vanpool fares, and to cover qualified parking costs. Monthly limits are \$110 per employee, per month for transit or vanpools expenses, and \$215 for parking.
 - Employer perspective – Employers save payroll taxes on the funds their employees set aside pre-tax, typically 7.65%.
 - Employee perspective – Employees save payroll and federal income taxes on the set-aside funds. For employees in the 25% tax bracket, for example, that savings represents over three month's worth of commuting costs.

- Combined – Employers may choose to underwrite a portion of employees' transit, vanpool, or parking costs and permit employees to set aside pre-tax funds for remaining costs, up to the monthly limits.
 - Employer perspective – The portion of costs used to underwrite commuting costs are a deductible business expense. Employers save payroll taxes (7.65%) on the portion their employees set-aside on a pre-tax basis.
 - Employee perspective – The employer-financed portion of transit, vanpool, or parking costs are tax-free. Employees save payroll and income taxes on the portion set-aside on a pre-tax basis.

**For more information, please contact your MassRIDES Outreach Coordinator at
1.888.4COMMUTE**

