Under the Internal Revenue Service (IRS) Code Section 132, workers can set aside pretax dollars to use for certain work-related commuting purposes. This may include qualified parking costs, mass transit expenses, vanpooling expenses or bicycle commuting expenses. In some cases, employer groups pay for all or some of the participating employees’ costs.

**The benefit for employers:** Employers do not have to pay FICA tax on the dollars your employees set aside.

**The benefit for employees:** These pretax dollars are exempt from federal income taxes, Social Security taxes and state income taxes (in most states).

**Administration**

Commuter Assistance Programs can be administered within your organization or outsourced to a specialty provider for approximately $5 to $6 a month for each participating employee. For these minimal costs, the provider will enroll your employees in the program and will take on all administrative duties associated with it. However, you may also consider administering a Commuter Assistance Program in-house, as the FICA savings are generally equal to or more than the costs of administering the plan with a specialty provider.

**Program Types**

The following are different types of consumer assistance programs:

- Employer and/or employees pay part or all of the cost for transit passes for public or private rail systems, buses, streetcars and ferries
- Employer and/or employees pay part or all of the cost for vans that seat seven or more adults, including the driver
- Employer and/or employees pay for part or all of the cost of parking at a specific location where employees then take public transportation to the office
- Employers reimburse certain bicycle commuting expenses

**Statutory Limits**

For these transportation benefits, a maximum statutory limit establishes a maximum amount employees can exclude from income for tax purposes. These are the limits for taxable years beginning in 2017:

- Qualified parking: $255 per month
- Combined commuter highway vehicle transportation and transit passes: $255 per month
- Bicycle expense reimbursement: $20 for each qualified bicycle commuting per month
Creating a Program

Follow these steps when setting up a program at your organization:

1. Determine what types of benefits that you want to offer and how you will structure your plan design, including how you will provide benefits to employees and what amount each employee is eligible to receive each month.
2. Conduct a survey of your workers to determine how they get to work, how they would prefer to get to work and how much they typically spend on commuting. Organize your program based on this information.
3. Promote the benefit to employees via a company-wide newsletter or your intranet site.
4. Enroll employees who want to participate and set up payroll deductions, if necessary.
5. Order transit vouchers or passes for your employees and distribute them accordingly.

If you hire a third-party provider, that organization will handle this entire process for you, for a nominal fee.

Advantages

Establishing a commuter assistance program can benefit your business in the following ways:

- Serves as a valuable incentive for potential employees who may be hesitant to take a job with your company because of commuting costs.
- Serves as a great add-on to an existing benefits package for employees and can boost employee morale.
- Employer FICA contributions are significantly reduced.
- Program is relatively low-cost to administer or outsource.
- Benefit is easy for employees to utilize.
- Employer costs are tax-deductible as a business expense.
- Several states offer tax breaks for commuter benefits and payroll taxes are reduced for employers.
- Programs work well in large cities with lots of available public transportation and/or parking is expensive, and in smaller areas where commutes can be extremely long.

Disadvantages

The following are the disadvantages of creating such a program:

- Payroll professionals will have additional administrative duties.
- If you are using a service provider, there are additional responsibilities for overseeing the organization’s interaction with your employees.
- Service providers may have a minimum monthly fee that can be overwhelming for small employers or those with low employee participation in the program.
- You must comply with tax regulations regarding statutory limits, plan design, eligibility to sponsor and participate, and more.

For more information regarding Commuter Assistance Programs, please speak to your Crystal & Company representative. You can also see IRS Publication 15-B, Employer’s Tax Guide to Fringe Benefits.