

Commuter Tax Benefits: Qualified Transportation Fringe Benefits

The Tax Reform and Jobs Act of 2017 made several changes to Section 132(f) of the Internal Revenue Code.

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Under Section 132(f) of the Internal Revenue Code – known as Qualified Transportation Fringe Benefits – employers can offer a pre-tax commuter benefit. This program saves the employer payroll-related taxes, as well as saves the employee money on federal income taxes.

PRE-TAX COMMUTER BENEFIT

- The employer allows employees to use pre-tax income (up to \$260 a month) to pay for a transit pass or to cover vanpool expenses.
- Allowing your employees to designate part of their income as “pre-tax” lowers the amount your company pays on payroll taxes.

OTHER COMMUTER BENEFIT INFORMATION

- Employers can provide up to \$260 a month to individual employees to pay for a transit pass or qualified parking as a qualified transportation fringe benefit, which is excluded from an employee’s taxable wages.
- Businesses may no longer deduct the cost of providing or implementing this benefit.

As of 2018, non-profit organizations that provide qualified transportation fringe benefits to their employees may be subject to unrelated business income tax. Businesses of all types should work with their tax professionals to work out the tax details of the program and how they will affect your company.