



**SF Environment**

**Our home. Our city. Our planet.**

A Department of the City and County of San Francisco



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## Pre-Tax Commuter Benefits

### Update on Current Legislation for the Commission on the Environment Policy Committee

**Clean Transportation Program – Krute Singa  
February 13, 2012**

#### CURRENT STATUS OF THE PRE-TAX COMMUTER BENEFIT

On January 1, 2012, the monthly pre-tax limit of the transit and vanpool portion of the commuter benefit was reduced from \$230 to \$125 per month since Congress did not enact legislation to extend the higher level. The monthly parking pre-tax limit however, was increased from \$230 per month to \$240 per month to account for cost of living increases.

On February 7th, 2012, the Senate Committee on Finance approved legislation that would reverse cuts to the monthly pre-tax transit benefits available to commuters who use public transportation and vanpools. If approved by Congress, the bill will restore the monthly amount that can be set aside for public transportation and vanpool expenses to \$240 a month. It is unclear at this point if this will be a temporary or permanent increase.

#### OVERVIEW OF THE PRE-TAX COMMUTER BENEFIT

In 1998, Congress amended the tax code to allow employees to pay for their transit, vanpooling and parking expenses to work with pre-tax dollars. Pre-tax commuter benefits are a qualified transportation benefit program authorized by Internal Revenue Code (IRC) § 132.

Qualified expenses are exempt from federal, state and FICA (Social Security and Medicare) taxes. Employees save by setting up a pretax payroll deduction that reduces commute costs up to 40 percent based on income bracket. On average, employees save approximately \$20.00 on every \$72 (cost of Muni Fast Pass) they pay for qualified commute expenses (27 percent), for an annual savings of \$240. Employers save on FICA taxes for pre-tax programs. Due to the cost savings to businesses, commuter benefits have joined health, retirement and disability at the top of the list of voluntary benefits offered by companies.

In 2009, Congress raised the monthly tax-free cap commuters could spend on transit, vanpool and parking pre-tax to \$230. This created parity between the transit portion of the commuter benefit and the parking portion, further promoting the use of sustainable modes of transportation.

## IMPACTS TO PROMOTING SMART COMMUTE CHOICES

Maintaining parity between the transit and vanpool portion and the parking portions of the commuter benefit is critical in promoting sustainable transportation choices. For many commuters who take transit or vanpool, Congress' failure to maintain parity between the transit and parking benefits results in a significant increase in their commuting costs and annual payroll taxes. Many of these commuters do not have access to a private vehicle, and therefore depend on transit and vanpools to get to work.

Participating employers of all sizes have also experienced an increase in their payroll taxes that ultimately reduces their ability to create new jobs. On a community level, encouraging workers not to commute to work by driving alone through cost savings helps to reduce traffic congestion, improve air quality and save energy.

## ACTIONS CURRENTLY UNDERTAKEN

After January 1st, SF Environment, along with other agencies, organizations, employers and commuters contacted our congressional representatives to encourage them to enact legislation that would restore parity between the transit/vanpool and parking portions of the commuter benefit, and establish the parity amount as \$240. Over 50,000 letters were sent that resulted in the Senate Committee on Finance recommending Congress to reverse cuts to the monthly pre-tax transit benefits.

Clean Transportation staff met with Nancy Pelosi's office to provide the business community's perspective on the value of the pre-tax program and parity from the comments we received through our outreach process. Outreach consisted of newsletters and emails to inform them of the issue.

Clean Transportation staff will continue to raise awareness of the issue and work with other agencies and organizations to provide input to Congress' decision-making process.