

COMMUTER BENEFITS GUIDE

Employer Services

INTRODUCTION

Arlington Transportation Partners (ATP) offers complimentary assistance to help you minimize transportation challenges and give your business a competitive edge.

Is your organization looking to:

- ◇ Attract and retain the best employees
- ◇ Offer a more robust benefit package
- ◇ Save your employees money
- ◇ Reduce employee commute frustration
- ◇ Show your commitment to the environment
- ◇ Provide flexible benefit options for hybrid schedules

You can do it all by offering commuter benefits.

What are Commuter Benefits?

Commuter benefit programs are regulated under the Section 132(f) of the IRS Tax Code. Federal law allows employees to allocate pre-tax income to use for transit passes, vanpool costs, or parking fees. The IRS adjusts the maximum commuter benefit amount each calendar year for inflation.

Offering pre-tax benefits lowers an employee's taxable income, which allows both employees and employers to save money.

BENEFIT OPTIONS

Commuter benefits can be offered to your employees in a few different ways.

Transit and Vanpooling

1. Direct Benefit (Subsidized)

The employer can cover the full cost of the transit benefit, up to the IRS commuter benefit limit.

2. Pre-Tax Benefit (Unsubsidized)

The employer can allow employees to reserve income on a pre-tax basis to cover the costs of the commuter benefit, up to the IRS commuter benefit limit.

3. Combination Benefit

The employer and the employee can share the cost of the benefit, up to the IRS commuter benefit limit. If an employee's commute needs exceed the IRS commuter benefit limit, employers could contribute more via taxable income.

TAX SAVINGS

How to Estimate Tax Savings

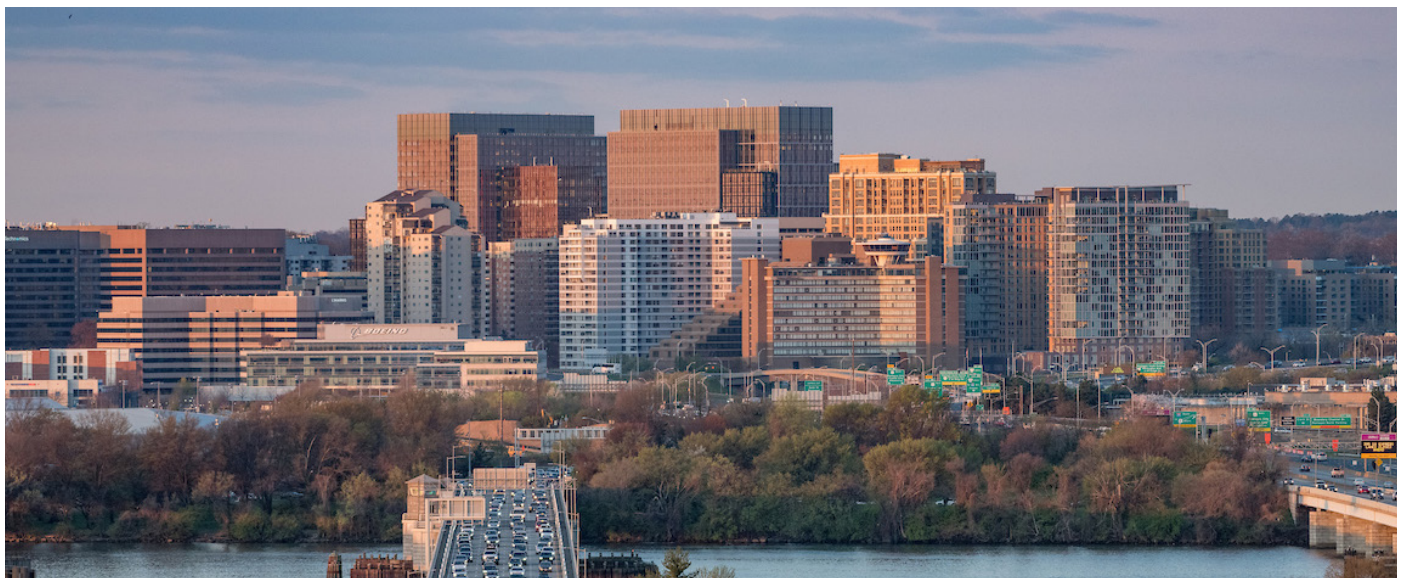
The potential tax advantages for both employees and employers may vary, but generally depends on employee commute costs, employee income tax bracket, and other tax considerations. The table below demonstrates the estimated tax savings for the maximum commuter benefit amount under the IRS commuter benefit limit effective January 1, 2024.

Consult a tax professional for advice specific to your business.

EMPLOYEE TAX SAVINGS		EMPLOYER TAX SAVINGS	
Federal Income Tax Savings <i>22% most common</i>	\$ 832.00	Social Security Tax Savings <i>6.2% up to \$160,000</i>	\$ 235.00
VA State Income Tax Savings <i>5.75% tax rate</i>	\$ 218.00	Medicare Tax Savings <i>1.45% tax rate</i>	\$ 55.00
Social Security Tax Savings <i>6.2% up to \$160,000</i>	\$ 235.00	Total Annual Savings	\$290.00
Medicare Tax Savings <i>1.45% tax rate</i>	\$ 55.00		
Total Annual Savings	\$1,340.00		

Tax savings described are a general estimate based on the following assumptions:

Federal Income Tax 10% to 37% based on income and filing status. VA State Income Tax 5.75%. FICA taxes include Social Security tax 6.2% up to \$160,000 annual salary, and Medicare tax of 1.45% across all income brackets. Not included: State or Federal Unemployment Tax (FUTA/SUTA).



IMPLEMENTING TAX FREE BENEFITS

Seven easy steps to implement pre-tax, direct, or combination benefits for your business.

1. Determine which department will be implementing the program (HR, Payroll, Union Representatives, etc.)
2. Verify employee needs and transportation services used (Metrorail, Bus, VRE, Bike, etc.). If necessary, ATP can confirm these needs through a complimentary transportation survey.
3. Decide the type of transit benefit your organization would like to provide: Direct, Pre-Tax, or Combination.
4. Create a simple plan document. This will help administer the plan and can detail the parameters set by your organization regarding who is eligible as well as how and when employees enroll and leave the program.
5. Create an election form.
 - ◇ If **employees** pay for a portion or all of the transit benefit with pre-tax income, they are required by the IRS, to elect a reduction in their salary through an election form. This must be completed prior to receiving the benefit. The form must include the date of the election, the amount of compensation to be reduced and the period for which the election will apply.
 - ◇ If **employers** pay for the entire transit benefit, this is not necessary.
6. Keep accurate records of each employee's modified payroll and pre-tax salary reductions.
 - ◇ If **employees** are paying with pre-tax dollars, payroll will need to be modified to withhold salary from employees, and W-2's will need to reflect the reduced wages.
7. Introduce the new transit benefit to employees with the help of Arlington Transportation Partners.

WHY PARTICIPATE?

When a company offers a transit benefit, employees stand to save money by switching their commute and ditching the car keys.

There are a lot of reasons to commute without a car, but many people won't fully recognize these reasons without some sort of financial motivation to nudge them in that direction.

A commuter benefit is the keystone that allows people to see the numerous benefits biking, walking, transit, and pooling have to offer.

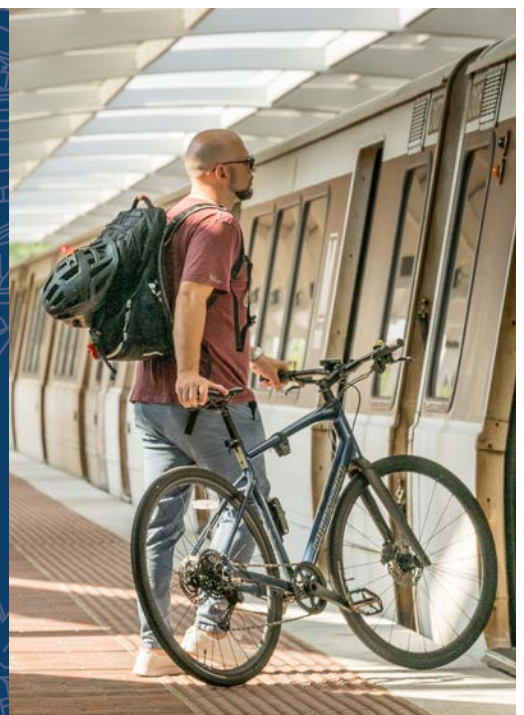
HOW ATP CAN HELP YOUR COMPANY

ATP can help establish and administer a program that meets IRS requirements for tax-free transit benefits by:

- ◇ Providing information on tax-free commuter benefit choices
- ◇ Choosing the best program through employee commute surveys and meeting to share results
- ◇ Step-by-step implementation process, including:
 - ✓ Establishing a program
 - ✓ Open enrollment
 - ✓ Promotion of the program
- ◇ Ensuring success through follow-ups and tax law updates
- ◇ Provide samples, including:
 - ✓ Promotional e-mails
 - ✓ Program guidelines
 - ✓ Enrollment forms
 - ✓ Transit information
- ◇ Participating in open enrollment events to encourage employees to sign up
- ◇ Celebrate the new benefit with an ATP launch party to enroll employees and provide visibility for the new offering
- ◇ Hosting a workshop or seminar to explain tax-free transit benefits

“I feel more connected to the city using public transportation. More invested. More at home. Arlington is a wonderful community and it’s nice to know I’m doing my part to make the streets a little less crowded.”

- Ayanna, Arlington Free Clinic



Arlington
Transportation Partners .COO

✉ solutions@transpartners.com

🐦 @ATPCommutes

