



Transportation Fringe Benefits

How to guide for implementing and administering the transportation fringe benefit!

A popular benefit offered by a growing number of employers is the transportation fringe benefit. A change in the Internal Revenue Code a few years ago allows this benefit to be paid through salary reduction. The concept mirrors that of a Cafeteria Plan. TASC offers this benefit as part of our overall third party administrative services.

Eligible Expenses Under the Transportation Fringe Benefit

- Transit passes for transportation on mass transit facilities or transportation provided by any person in the business of transporting persons for compensation or hire.
- Commuter highway vehicles with seating capacity for at least 6 adults (not including the driver), used for the purposes of transporting employees between their residences and their place of employment, and on trips for such purposes.
- Qualified parking provided to an employee on or near the business premises, or on or near a location from which the employee commutes to work by a commuter highway vehicle or by carpool.

Operation of the Transportation Fringe Benefit

All related costs may be paid through salary reduction, which benefits employees as they escape federal and state income tax in addition to Social Security and Medicare taxes. Depending on the type of transportation expenses, the benefit may operate similar to the Dependent Care FSA or the premium-only component of a Cafeteria Plan.

- If parking is in an employer provided facility, the employer may merely deduct the cost of parking on a pre-tax basis. It will be a payroll adjustment, similar to how group sponsored health insurance is handled under Section 125.
- Under other circumstances, a reimbursement account will need to be established. Through salary reduction, money will be deposited into the reimbursement account, and checks will be cut immediately for the incurred costs.
- Monthly limits do apply, and is indexed annually.

Change in Elections

Changes can be made to these elections, as the amounts paid each month may fluctuate.

Reimbursement Procedure

It is important that whenever possible the Participant provide evidence that the expense was incurred. Reimbursement checks will be issued based on the account balance. Participants must keep in mind the monthly limits mentioned earlier. Participants may change their elections at any time. Any funds left over at the end of the Plan Year will be forfeited to the Client. The amount of the transportation costs may be entered on the line for transportation benefits on the Request for Reimbursement Form.

The information contained in this communication is confidential and to be used by TASC employees and representatives for only its intended purpose.

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