



COMPLIANCE BULLETIN

HIGHLIGHTS

- The tax exclusion for employer-provided mass transit benefits has been increased.
- The tax limit for transit benefits is now permanently equal to the limit for parking benefits.
- The monthly tax exclusion for transit benefits was previously \$130, while the exclusion for parking benefits was \$250.

IMPORTANT DATES

Jan. 1, 2015

Maximum monthly tax exclusion for mass transit benefits increases retroactively from \$130 to \$250.

Jan. 1, 2016

Maximum monthly tax exclusion for mass transit benefits and qualified parking benefits increases from \$250 to \$255.

Provided By:
Sullivan Benefits

FEDERAL BUDGET PROVIDES TRANSIT PARITY

OVERVIEW

On Dec. 18, 2015, President Barack Obama signed a federal budget bill into law for 2016. This bill increased the maximum monthly tax exclusion for employer-provided mass transit benefits in order to make it equal to the limit for employer-provided qualified parking benefits.

This increase provides permanent equivalence between mass transit and parking benefits, which is often referred to as “transit parity.” Transit parity means that the federal Internal Revenue Code (Code) no longer favors parking benefits over mass transit benefits. The increase applies retroactively to months after 2014.

Transit parity is a welcome development for employers, especially those with employees who utilize public transit.

ACTION STEPS

Employers that sponsor qualified transportation fringe benefit plans should update their plan design and work with their vendors to implement the maximum limits.

Some major cities (for example, New York and the District of Columbia) now require employers to offer transit benefits to their employees. Employers in these cities should ensure that they are in compliance with local requirements.

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In addition, employers should review their reimbursement methods for transit passes. According to [IRS guidance](#), effective **Jan. 1, 2016**, employers cannot reimburse employees in cash for transit benefits if a terminal-restricted debit card is readily available in the relevant geographic area.

Qualified Transportation Fringe Benefits

Code Section 132(f) permits employers to provide certain transportation fringe benefits to employees on a pre-tax basis. These benefits include qualified parking, mass transit (commuter highway vehicle and transit passes) and bicycle commuting expenses. Employees typically pay for qualified parking and mass transit benefits through pre-tax payroll deductions.

There are maximum limits on each type of transportation fringe benefit. These limits are subject to cost-of-living adjustments (if any) for future years, as announced by the Internal Revenue Service (IRS) before the beginning of each calendar year.

In prior tax years, a series of temporary measures created parity between the mass transit and qualified parking limits. However, these measures expired at the end of 2014. Before the 2016 budget bill was enacted, the monthly tax exclusion for mass transit benefits for 2015 was \$130, while the exclusion for qualified parking benefits was \$250. The 2016 budget bill increased the monthly tax exclusion for mass transit benefits, making it equal to the limit for qualified parking benefits.

Maximum Monthly Limits		
Type of Benefit	2015	2016
Mass transit (commuter highway vehicle and transit pass)	\$130 (retroactively raised to \$250 by the 2016 budget law)	\$255
Qualified parking	\$250	\$255
Bicycle commuting	The applicable annual limitation for any qualified bicycle commuting reimbursement is the product of \$20 multiplied by the number of qualified bicycle commuting months during a calendar year. This limit is not subject to cost-of-living adjustments, which means it does not change from year to year.	