Provided by Sullivan Benefits

LEGAL UPDATE

Qualified Transportation Fringe Benefit Limits to Increase in 2024

HIGHLIGHTS

- The 2024 monthly limit for transportation in a commuter highway vehicle and transit pass (combined) is $315.
- The 2024 monthly limit for qualified parking is $315.
- These amounts represent a $15 increase from the 2023 limits.

The IRS has released Revenue Procedure 2023-34, which includes cost-of-living adjustments for employee qualified transportation fringe benefits for the 2024 taxable year, along with annually adjusted numbers for 2024 for other tax provisions.

The combined monthly limit for transportation in a commuter highway vehicle and a transit pass will increase to **$315** in 2024, up from the 2023 limit of $300.

The monthly limit in 2024 for qualified parking will also increase to **$315** from $300.

Qualified Transportation Fringe Benefits

Internal Revenue Code Section 132(f) allows employers to offer qualified transportation benefit programs to their employees on a tax-free basis.

Under these programs, employees may have money withheld from their taxable compensation to pay for or reimburse work-related expenses for qualified parking, transit passes and transportation in certain commuter highway vehicles (e.g., qualifying van pools).

Employers may also provide these benefits tax-free to employees.

Section 132(f) establishes a maximum monthly amount of qualified transportation benefits employees may exclude from their income, subject to cost-of-living adjustments announced by the IRS before the beginning of each calendar year.

Both employee pre-tax salary deferrals and employer-paid benefits, if any, count toward the maximum amount.

No Tax Deduction for Employer

Beginning in 2018, the Tax Cuts and Jobs Act of 2017 eliminated the employer tax deduction for qualified transportation benefits.

The employer deduction is disallowed regardless of whether the benefits are paid directly by the employer, through a bona fide reimbursement arrangement or through a compensation reduction agreement.