



New Bicycle Commuter Benefit in Bailout Bill

One provision of the financial bailout legislation enacted earlier this month creates a new tax-favored bicycle commuter benefit for employees. This new benefit may be offered by employers beginning in 2009.

Background

Section 132(f) of the Internal Revenue Code enables employers to provide qualified transportation fringe benefits to employees on a tax-favored basis. In 2009, employers may provide transit or commuter vehicle benefits of up to \$120 per month and qualified parking benefits of up to \$230 per month. (See our October 16, 2008 [For Your Information](#).)

To secure enough votes to approve the economic rescue package, many provisions were added to the legislation. One of these was an amendment to Section 132(f) to allow employers to offer bicycle commuter benefits.

Transportation Fringe Benefit to Bicycle Commuters

For taxable years beginning in 2009, the new law adds a “qualified bicycle commuting reimbursement” to the list of qualified transportation fringe benefits under Section 132(f). This is defined as an employer reimbursement of an employee’s expenses for the purchase, improvement, repair and/or storage of a bicycle that is used regularly for commuting to work. The reimbursement may be made during the 15-month period beginning with the first day of the calendar year.

The maximum annual reimbursement is \$20 times the number of “qualified bicycle commuting months.” These are defined as months in which the employee –

- regularly uses the bicycle to commute to work
- receives no other qualified transportation fringe benefit (e.g., transit pass, parking).

It should be noted that, under the law as written, the \$20 limit is not indexed.

BUCK COMMENT. *This new benefit may be of interest to those employers who are trying to encourage their employees to “go green.” However, employers already offering qualified transportation fringe benefits may have administrative complications due to the prohibition of receiving other transportation benefits in the months for which bicycle benefits are being reimbursed. Employers will also have to consider how they want expenses to be substantiated and how they will determine if the employee “regularly” uses the bicycle for commuting purposes.*

It is hoped that the IRS is able to provide clarifying guidance soon. In the meantime, current program vendors should be contacted to determine their capabilities to administer this new benefit.

As with existing qualified transportation fringe benefits, it appears that bicycle benefits may be offered to individual employees or to any group of employees. It further appears that the employer may reimburse the benefit directly, or may permit employees to reduce their salary.

Conclusion

The new law provides employers with an interesting new option to add to their slate of benefits for employees.

Buck's consultants would be pleased to discuss this new opportunity with you.

This FYI is intended to provide general information. It does not offer legal advice or purport to treat all the issues surrounding any one topic.