



Transportation Benefit Limit Increased by Stimulus Bill

Among the many provisions of the American Recovery and Reinvestment Act signed into law on February 17 is one that temporarily increases the amount of the income tax exclusion for qualified transportation benefits provided to employees.

Background

Under Section 132(f) of the Internal Revenue Code, employers are permitted to offer tax-free transit passes, vanpooling and parking benefits (called qualified transportation benefits) up to certain monthly limits, adjusted annually for inflation. Some employers provide subsidies for commuter and parking costs, while others allow employees to pay for them on a pre-tax basis.

Prior to the new stimulus law the 2009 limit was \$120 per month for transit passes and/or vanpooling expenses, and \$230 per month for qualified parking benefits.

Increase in Transportation Benefit Limit

The new law increases the monthly transit pass/vanpooling benefit limit to equal the monthly parking limit. Effective March 1 and through December 31, 2010, the maximum tax-free mass transit or vanpooling benefits employers can make available to employees will increase from \$120 to \$230 per month (indexed for 2010).

BUCK COMMENT. *Although the new limit is now in effect, employers are not required to implement it. However, for those employers with pre-tax programs and transit benefit vendors that can easily accommodate the new limit, it would seem appropriate to make the increased benefit available as soon as possible.*

Conclusion

The new transportation benefit limit will be welcome for many employees in certain areas of the country.

Buck's consultants would be happy to discuss the new limit and its implementation 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.