

# Commuter Benefits Savings 101



**TRANSITCHEK<sup>®</sup>**  
by WageWorks<sup>®</sup>

## HELP YOUR EMPLOYEES LOWER THE RISING COSTS OF COMMUTING ... WHILE SAVING YOUR COMPANY MONEY

Commuting costs are on the rise and increasingly take up a larger portion of employee earnings. On average, commuters spend about 18% of their income on transportation costs, an increase of 8.5% from 2012 to 2013.

A commuter benefits program can take the sting out of rising commuting costs. Since 1998, employers have been able to offer their employees pre-tax savings on commuting expenses, including qualified parking, public transit, and van pooling as part of IRS Tax Code Section 132(f). Today, employees can use pre-tax benefits of up to \$130 a month for transit and up to \$250 a month for qualified parking to pay for all, or a portion of, their commute to work. Before this section of the code was implemented, from 1987-1988, employers were able to subsidize, on a tax-free basis, a small portion of their employees' commuting expenses.

Since pre-tax commuter benefits reduce an employee's taxable income, by offering these benefits to their employees, companies can increase the effective compensation realized by employees while reducing company payroll taxes.

### HOW DOES IT WORK?

The following example illustrates how a commuter benefits program can save employees money on commuting costs by reducing taxable income:

	John	Jane
Monthly gross salary	\$ 3,750	\$ 3,750
Pre-tax deduction for transit costs	-	130
Pre-tax deduction for qualified parking	-	250
Taxable income	3,750	3,370
Less taxes (assume 40% rate)	1,500	1,348
Take home pay	2,250	2,022
Less transit costs	130	-
Less qualified parking costs	250	-
<b>Monthly income after commuting costs</b>	<b>\$ 1,870</b>	<b>\$ 2,022</b>

Commuter benefits represent tangible and meaningful savings to employees. These commuter deductions can reduce employees' taxable income resulting in tax savings of up to \$1,825 per year.<sup>2</sup>

The program can also save your company money. By transferring dollars from employees' salary to a pretax account, your company can reduce its payroll taxes for every person enrolled in the program. In fact, your company can save up to \$350 per year in payroll taxes for each employee who takes full advantage of the program.<sup>3</sup> In many cases, the tax savings more than offsets the cost of offering the benefit – making it a program that can pay for itself. Companies of any size can participate in the program. The graph below demonstrates how much a company of 50 employees can save based on different levels of participation.



<sup>1</sup>U.S. Department of Labor, Bureau of Labor Statistics, Economic News Release, September 10, 2013, USDL-13-1833.

<sup>2</sup>Estimate based on an overall marginal tax rate of 40%, monthly pre-tax deductions of \$130 for a transit benefit and \$250 for a parking benefit over the course of 12 months. Individual savings may vary based on contribution amounts, income, individual tax rates, state of residence, and other factors.

<sup>3</sup>Estimate based on employee taking the maximum pretax contribution of \$130/month for transit and \$250/month for qualified parking over the course of 12 months. Calculations assume annual earnings of each participating employee are below the Social Security Wage base of \$117,000.

## AREN'T ALL COMMUTER BENEFITS PROGRAMS THE SAME?

IRS has guidelines regarding what types of commuting options qualify for the use of pre-tax funds; however, there is flexibility in selecting a program that meets a wide variety of employers' needs. There is no one-size-fits-all solution.

## HOW TO CHOOSE THE RIGHT COMMUTER BENEFITS PROGRAM FOR YOUR COMPANY

Look for a commuter benefits program offered by a company that:

- ☐ Serves a wide variety of employer sizes, from small businesses to Enterprise companies. This ensures you will get the flexibility you need to tailor a program that meets your company's specific needs.
- ☐ Partners with all relevant transportation providers in your geographic area.
- ☐ Demonstrates its expertise in maximizing savings for both employers and employees.
- ☐ Focuses on excellent customer service.
- ☐ Supports unique product offerings geared toward any size business.

## THE TRANSITCHEK® ADVANTAGE

In 1987, TransitChek® by WageWorks® became the nation's first commuter benefits provider with the introduction of the TransitChek Voucher. Since then, we have become one of the most recognizable names offering commuter benefits through the following measures:

- ✓ Providing commuter benefits to a wide variety of customers, from small businesses to nationwide corporations with thousands of employees.
- ✓ Offering flexible commuter benefits programs. We continue to transform the way we do business to meet your needs and to save you money.
- ✓ Partnering with some of the biggest names in the transportation industry as well as local transit providers. We continually strive to offer our customers the top choices when it comes to their daily commutes.
- ✓ Delivering best-in-class customer service. Your company will partner with our team of highly skilled industry experts to provide you with superior customer service.
- ✓ Providing easy-to-use technology tools that allow for ease of benefits administration, employee benefit management, and real-time access to accounts. We make it easy for everyone.

TransitChek by WageWorks will partner with you to help set up a commuter benefits program that meets your specific needs. Together, we determine what solution is best for your company and help motivate employees to enroll, while providing superior customer service during all phases of your program. We are the industry experts with the knowledge and flexibility to make your program a success.

Call our benefits experts at 1.866.410.CHEK (2435) today and learn how a commuter benefits program can save money for both your company and its employees.

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