

Announcing a new Transportation Spending Account Plan



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Introduction

- IRC §132(f): Qualified transportation fringe
- Exempt from federal income and Social Security taxes
- Qualified transportation expenses
 - Qualified Parking
 - Transportation in Commuter Highway Vehicle
 - Transit Passes



Monthly limits - 2007

- Transit passes and commuter highway vehicle: \$110
- Parking: \$215
- Limits are Indexed to inflation
- Carryovers permitted – no use it or lose it requirements
- Unused balance is forfeited at termination



Qualified Parking

- Includes
 - parking on or near the employer's business premises; or
 - location from which the employee commutes to work
- Does not include:
 - parking on or near property used by the employee for residential purposes
 - Reimbursement for parking associated with business travel



Commuter Highway Vehicle

- van pools
- transport provided by the Company for travel between residence and place of employment



Transit Passes

- token, farecard, voucher, or similar item
- entitles a person to transportation on mass transit facilities (public or private, seating capacity of at least six adults ex. driver)
- Employees may not purchase and be reimbursed if passes are “readily available” – must be provided by the company up to 12 months in advance



Readily Available

A voucher is not readily available if (excluding reasonable and customary delivery charges):

- Employer is charged fees greater than 1% of the average annual value of the vouchers;
- multiple transit systems: the average voucher from each transit system has fees that exceed 1% of the average annual value; or
- other restrictions effectively prevent the Employer from obtaining vouchers appropriate for distribution to employees
 - example: advance/minimum purchase requirements prevent purchase of monthly passes at regular intervals or in reasonable quantities.



Compensation Reduction Election

- Must be in writing
- Must be made before the employee can receive the cash or the qualified transportation fringe
- Employee may not reduce compensation by more than the combined limits (max of \$325 per month in 2007)
- Automatic elections permitted



Reimbursements

- Employees must submit claims no later than 180 days after the qualified transportation fringe is purchased
- Claims can be paid no less frequently than annually
- Must be a bona fide reimbursement arrangement



Smartcards / Debit Cards

- Use is permissible under Plan Document - subject to Rev. Rul. 2006-57 (effective date delayed to January 1, 2009 by Notice 2007-76)
- cards may be used as substitute for fare media (no other purchases allowable) and distributed in-kind by employer
- May be used as a reimbursement arrangement for transportation spending (employer pays the bill)
- Are cards readily available?
 - pending further guidance IRS has not decided when/if terminal-restricted debit cards are readily available
 - IRS “will not challenge the ability of employers to provide qualified transportation fringes in the form of cash reimbursement for transit passes when the only available voucher or similar item is a terminal-restricted debit card ” (Rev. Rul. 2006-57)



Ftwilliam Transportation Spending Plan features

- Plan Document
 - No document is required by 132(f)
 - Plan provides broad discretion to administrator
 - Can be changed at any time
- Summary Plan Description
 - Convenient tool to communicate benefits to employees
- Wage deferral agreement (required)
- Reimbursement form (if applicable)
 - no reimbursement form will appear if only type of transportation spending allowed is readily available transit passes



Questions?