

# Pre-Tax Programs & Local Transit Benefits

*Existing Programs & Lessons from Other Cities*



commute seattle

# Existing Seattle Resources

## SCENARIO #1 PRE-TAX CHOICE PROGRAM

Meet **JANE**



Jane makes \$50,000 per year

**BEFORE** Jane purchases an ORCA Monthly Pass on her own/retail/with her regular income  
Her employer has no ORCA Business Account or Pre-tax Program

	<p>Jane pays \$12,064 in FICA taxes</p>	<p>Jane's Savings</p>
<p>Jane buys her ORCA pass for \$1,188/yr</p>		
	<p>Jane's employer pays \$3,825 in FICA taxes.</p>	<p>Employer's Savings</p>

**AFTER** Jane purchases an ORCA Monthly Pass through her employer's Choice program  
Employer has an ORCA Business Choice and a Pre-Tax Program

	<p>Jane <b>SAVES</b> \$388 in FICA taxes</p>	<p>Jane <b>SAVES</b> \$388/yr</p>
<p>Employer gets ORCA Business Choice + PreTax Jane buys her monthly ORCA pass for \$1,188/yr through her employer</p>		
	<p>Jane's employer <b>SAVES</b> \$91 in FICA taxes</p>	<p>Jane's employer <b>SAVES</b> \$91/year</p>

## TAX-FREE COMMUTER BENEFITS GUIDE

Offer tax savings and incentives to help your employees get to work!



# ORCA Calculator

Select a zone [Locate a zone](#)

Lake Union & Queen Anne

Annual cost per employee	\$496.63
Standard card fee	\$5.00
Eligible employees	10
Annual Passport cost before rebate	\$5,016.30
1st year rebate	\$15.00
Annual cost per pass after rebate and card fee	\$486.63
Total Rebate Amount	\$150.00
Annual Passport cost (after rebate and card fee)	\$4,866.30

Add Washington State Ferry Passes

## Add cost sharing with employees

Anticipated number of Passport participants	10
Employee copay	25%
Total Employees copay:	\$1,241.58
Total cost to employer, minus Total Rebate Amount and Total Employees copay	\$3,624.73

Add Another Work Site

See additional savings with pre-tax (only if covering less than 100%)

My average employee income is approximately

45,000

Estimated Employee Pre-Tax Savings	\$40.54
Estimated Employee Co-Pay with Pre-tax Savings	\$83.62
Estimated Employer Pre-Tax Savings	\$94.98
Estimated Employer Cost with Pre-tax Savings	\$3,529.75

# What are Pre-Tax Benefits?

Tax allowances for commuting expenses outlined in IRS Code Section 132(f). Tax-free subsidy or pre-tax transit spending is capped at \$255 per employee per month for buses, light rail, ferry, water taxi, and vanpool.

Employers can offer transit benefits in three ways:

1. Employer-Paid Subsidy (providing an ORCA card or cash subsidy)
2. **Employee-Paid Pre-Tax (setting up the employee to use their own pre-tax income)**
3. **A combination of both**

Available to all W-2 recipients through their employers.





# Benefits to Participants

## Employers

- ◆ Hiring and retention incentive
- ◆ Tax savings (up to 9% on payroll taxes)
- ◆ Green business practice

## Employees

- ◆ Save 25% – 40% on commute expenses
- ◆ Significant impact: monthly peak Puget Pass costs commuters between about \$1,188 and \$2,484 per year!

Pre-Tax Transit Benefits are a cost-neutral way for businesses to reduce the burden of commuting for their employees and contribute to a greener city.



# Current Transit Benefit Ordinances

- ◆ **San Francisco, CA (2014)**

20+ Employees

- ◆ **Richmond, CA (2009)**

10+ Employees

- ◆ **Berkeley, CA (2009)**

10+ Employees

- ◆ **Bay Area Air Quality Management District (2014)**

50+ Employees

- ◆ **Washington, DC (2016)**

20+ Employees

- ◆ **New York City, NY (2016)**

20+ Employees

## Key components

- ◆ Enforcement managed on a complaint basis. NYC has only received [14 complaints](#) since January 2016.
- ◆ While the federal transit benefit law applies to transit benefits and parking, the cities that implement mandatory pre-tax **only mandate pre-tax for transit and vanpool.**

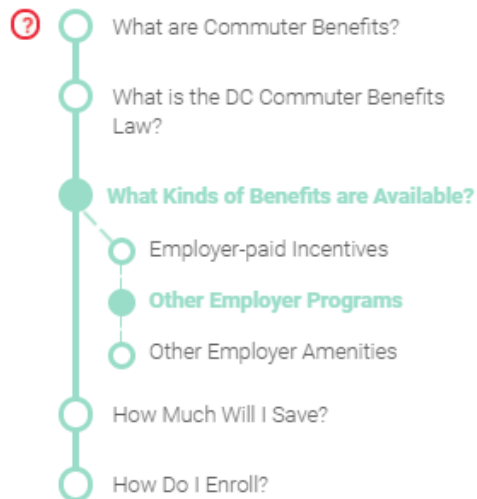
## Standard employee counting thresholds

- ◆ Total of employees averaging 20+ hours per week
- ◆ Employee count nationwide



# Transit Benefit Ordinances Bring New Companies in Contact with Sustainable Transportation Programming

## COMMUTER BENEFITS



Employers may also provide innovative programs, including:

- **Telework**, where employees work from home or another remote location
- **Flex/alternative work schedules**, where work hours can be shifted so staff can beat rush hour or compressed to a 3 or 4 day workweek
- **Ride-matching assistance**, where employers pair commuters with similar routes to form a carpool or vanpool
- **Parking cash-out**, where employers give cash in lieu of a parking spot

“ When I moved from MD to DC I left my car behind and signed up for Capital Bikeshare. I really enjoy the freedom of having a bike at my fingertips whenever I need it. ”

*Jamie, DC Resident*





# Responses to New Ordinances

“We feel that the TRACC Ordinance offers a rare opportunity to reduce taxes for both businesses and employees, encourages our employers to take advantage of transit, reduces air pollution, and shrinks our carbon footprint which we know is a major goal for the city and for its citizens as evidenced by the support for Measure G (Berkeley’s Greenhouse Gas Initiative).”

— **Berkeley Chamber of Commerce**

“By expanding commuter benefits to more than 450,000 more New Yorkers, we not only incentivize more of our residents to use public transit, but also put more money back into the pockets of small business owners and employees.”

— **Council Member Ydanis Rodriguez, NYC City Council Transportation Chair**





# Benefits to Participants

## Large Employers (>100)

- ◆ **54%** of CTR companies already offer pre-tax
- ◆ National companies with offices in NYC, DC, and the Bay Area generally already offer pre-tax transit benefits

Reference USA estimates that there are approximately 4,200 companies with 20+ employees in the City of Seattle

## Small Employers (<100)

- ◆ **46%** of non-CTR companies already offer some kind of transportation subsidy or transit pass
- ◆ **32%** of businesses over 20 (excluding CTR companies) already offer pre-tax benefits
- ◆ **Another 25%** of businesses over 20 express interest in offering pre-tax
- ◆ **47%** of companies over 20 said expense is a barrier to offering transit benefits and **46%** said reduced cost benefits would encourage them to offer transportation benefits



# Summary

- ◆ Pre-Tax Transit Benefit Ordinances are a pro-business, pro-environment and pro-worker strategy for reducing congestion.
- ◆ These ordinances can also bring new markets into the fold with sustained transportation programming usually only accessible to large CTR companies.
- ◆ Successful implementation will rely on a sustained marketing campaign and fostering buy-in from the business community through outreach and education.

