

COMMUTER BENEFITS LEGISLATION



Councilmember **Mike O'Brien**

Sustainability and Transportation Committee – August 7, 2018

COMMUTER BENEFITS

Under Internal Revenue Code 132(f), qualified transportation benefits may be excluded from gross income subject to federal taxes for both the employer and employee.

ELIGIBILITY

All employers and employees (except for government and non-profit employees) are eligible for implementing and receiving commuter benefits yet without proper education or notification, this benefit is not well known.

OUTREACH

In 2017, the City Council funded Commute Seattle, a community-based organization, to conduct outreach to educate individual businesses, business organizations and business leaders on commuter benefits.

- Ballard Alliance
- Ballard Merchant Association
- 2030 District
- Rainier Beach Merchant Association
- Rainier Valley Chamber of Commerce
- Somali Community Center
- Magnolia Chamber of Commerce
- Phinney Neighborhood Association
- Capitol Hill Chamber of Commerce
- Chinatown-International District BIA
- SODO BIA
- Ethnic Chamber of Commerce Coalition
- Chinese Chamber of Commerce
- South Park Merchants Association
- U District Partnership
- Korean Chamber of Commerce
- Transportation Choices Coalition
- Greater Seattle Business Association
- Seattle Restaurant Alliance
- West Seattle Junction
- West Seattle Chamber of Commerce
- Queen Anne Chamber of Commerce
- South Lake Union Chamber of Commerce
- Downtown Seattle Association
- Seattle Chamber of Commerce

LEGISLATIVE PROPOSAL

Problem Statement: While a variety of businesses provide commuter benefits to their employees, many businesses do not due to lack of education, which consequently means employees are not informed of the benefit.

Policy Goal: To require specific types of businesses to provide notification of the transit benefits section of Internal Revenue Code 132(f), which allows pre-tax payroll deductions for employees, allowing employees to allocate up to \$255 per month for transit expenses.

EMPLOYER BENEFITS

Employers **save** up to **9%** of the amount of payroll deducted from their employees' gross pay.

These cost **savings** generally make administration of the commuter benefits cost neutral while **Commute Seattle** is available **free** of charge for technical assistance.

EMPLOYEE BENEFITS

Employees **save** between **20%** and **40%** of their transit commuting expenses.

An employee earning in the 22% tax bracket (\$38,700-\$82,500) and opting for a \$100 per month ORCA pass would **save \$356** a year in federal income tax and payroll tax, and a minimum wage earner would **save \$236** a year.

PUBLIC BENEFITS

- Increased **transit access** with **lower** transit costs – **transportation** is the **second highest** household cost.
- Advancing **environmental impacts** by increasing access to multiple modes of public transit.

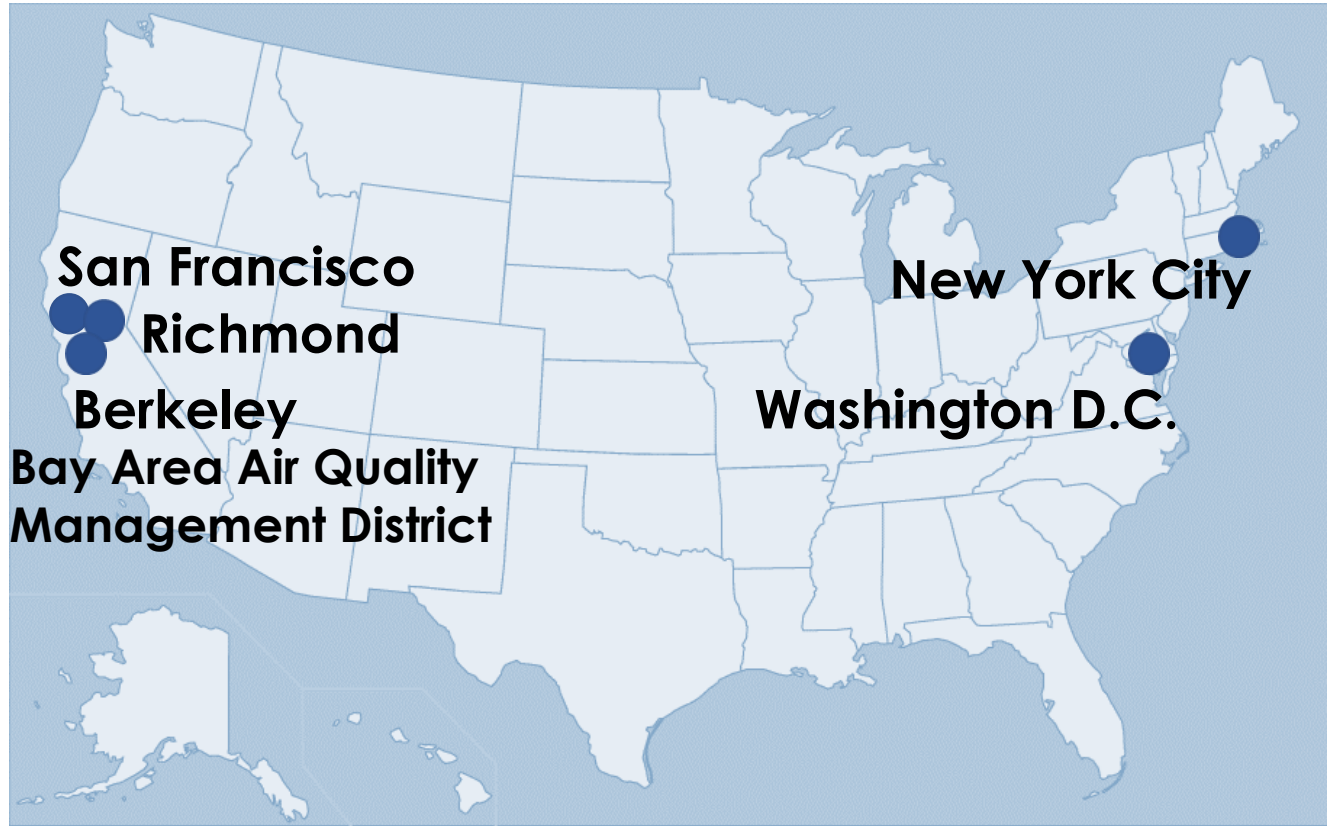
LEGISLATIVE REQUIREMENTS

- Informing and providing employees the benefit for each of the businesses' employees.
- Required businesses are those with 20 or more employees nationwide.
- Businesses will receive outreach and education from the Seattle Department of Transportation while enforcement will be conducted by the Office of Labor Standards.

ENFORCEMENT

- Enforcement begins July 1, 2020, providing one year after implementation.
- Investigations will be limited to this labor standard unless other labor violations have been documented.
- Employers are provided 60-days to comply with the ordinance after an employee has been hired.
- If a complaint is made, the employer will be allowed 90-days to comply with the ordinance before any action is taken.

NATIONAL MODELS



Berkeley Chamber of Commerce: “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...”

POLICY TIMELINE



TIMELINE CONTINUED

December 2018

Business
Information:
**City of
Seattle
Office of
Labor
Standards**

July 1, 2019

Implementation
Date:
**Commuter
Benefits
Ordinance**

July 1, 2020

Enforcement
Date:
**Commuter
Benefits
Ordinance**

QUESTIONS AND COMMENTS