



Let us help you manage your benefits cost and risk.

Commuter Benefit Plan

A Commuter Benefit Plan (CBP) reduces the taxable wage base by the amount that employees spend on mass transit or parking at work. The plan creates considerable savings for employees who ride transit or pay between \$250 and \$450 per year on average for parking. The plan also reduces the employer's payroll taxes.

The Approach

- ❖ A CBP is created to reduce the taxable wage base amount paid by an employee.
- ❖ The CBP is funded by employee salary reductions on a "pay as you go" basis. The employer has no cash outlays.
- ❖ Benefits are provided via cash reimbursement.
- ❖ There are no service contracts and no third party administrator.
- ❖ For 2003, IRC Section 132(f) permits an employee to exclude up to \$190 (increased from \$185 in 2002) a month for qualified parking expenses, and up to \$100 a month for the combined value of transit passes and transportation in a commuter highway vehicle.

The Process

- ❖ Provide analysis, coordinate a Commuter Benefit Plan with the company, and create employee communications.
- ❖ Assist client in the initial implementation of the program.
- ❖ The employee completes an enrollment form and estimates their qualified monthly transit or parking expenditures for the year.
- ❖ Qualified amounts are deducted from the employee's gross wages and at the same time reimbursed to the employee tax-free. This can occur each paycheck, monthly, or yearly.
- ❖ Transit benefits are limited based on published transit fares. Employees certify their expenditures every six months, although in some markets, cash reimbursement may be restricted.

Savings Example

Employee's gross salary	\$50,000
Employee's commute costs	(\$1,000)
Employee's taxable salary	<u>\$49,000</u>
Employee's income tax savings (@ 42%)	\$420
Employee's FICA tax savings (@ 7.65%)	\$76

Note: These are estimates and not guarantees