

Qualified Transportation Fringe Benefits Summary Table[^]

(Last Updated on 1/8/18)

Qualified transportation fringe benefits (Section 132(f) of the Internal Revenue Code) or “Commuter Tax Benefits” are like money in the bank. Employers save on payroll related taxes. Employees save on federal income taxes.

The [Tax Cuts and Jobs Act](#) signed into law by the President on December 22, 2017 did make changes to Qualified Transportation Fringe Benefits. Employers may still provide tax-free qualified transportation fringe benefits to employees for parking, transit and commuter highway vehicles.

In addition, an employer cannot deduct the expenses for providing tax-free qualified transportation fringe benefits. On the other hand, if an employer treats the transportation fringe benefits as taxable W-2 wages to the employee, the employer can deduct the expenses of providing those benefits.

Qualified bicycle commuting reimbursements, previously allowed up to \$240 per year, can no longer be provided tax-free. They can continued to provide the bicycle benefit as a taxable benefit.

For 2018, the monthly limit on the amount that may be excluded from an employee’s income for qualified parking benefits will be \$260 (up from \$255). Commuters can receive both the transit and parking benefits (i.e., up to \$520 per month). Employers can allow employees to use pretax dollars to pay for transit passes, vanpool fares and parking.

| Category | Transit | Commuter Highway Vehicle (e.g. Vanpool) | Qualified Parking | Qualified bicycling Commuting Reimbursement |
|-------------------------|--|--|---|--|
| Incentive Levels | Up to \$260/month* for transit expenses | Up to \$260/month* for commute trip in a vehicle with a seating capacity of at least six adults (excluding the driver), with at least 80 percent of the vehicle’s mileage for a year is reasonably expected to be for commuting and on trips during which the number of employees transported for commuting is at least one-half of the seating capacity of the vehicle (excluding the driver) | Up to \$260/month** for parking at or near an employer’s worksite, or at a facility from which employee commutes via transit, vanpool, or carpool | Change in 2018: Qualified Bicycle Commuting Benefit is no longer eligible as a tax-free benefit. |
| Employer | Employers may give their employees up to \$260/month for transit vouchers, commuter highway vehicle fares and/or commuter parking fees. Change in 2018: Private sector employers are no longer able to deduct | | | Change in 2018: Qualified Bicycle Commuting Benefit is no longer eligible as a tax-free benefit. |

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| | <p>the tax-free qualified transportation fringe benefit payments to employees as a business expense.</p> <p>Only if an employer treats the qualified transportation fringe benefits as taxable W-2 wages to the employee, the employer can deduct the expenses of providing those benefits.</p> <p>Employers may allow employees to use up to \$260 per month in pre-tax income to pay for transit vouchers, commuter highway vehicle fares and/or parking fees.</p> <p>Employers may reduce their payroll tax contribution of the pre-tax income used by employees to pay for transit vouchers, commuter highway vehicle fares and/or parking fees.</p> | |
| Employee | <p>Most employees may receive up to \$260/month for purchase of transit vouchers, commuter highway vehicle fares and/or parking fees from his or her employer. This subsidy value will not appear on their W-2 form as income.</p> <p>Employee pays for commute benefit with the pre-tax income up to the \$260/month statutory limit and receives more after-tax spendable income.</p> <p>Employee may combine the pre-tax benefit with employer subsidies up to \$260/month for each to pay for transit vouchers, commuter highway vehicle fares and/or parking fees.</p> | <p>Change in 2018: Qualified Bicycle Commuting Benefit is no longer eligible as a tax-free benefit.</p> |

* Tax-free transit and vanpool benefit limit increased from \$255 per month in 2017. It was raised to \$260 per month for beginning January 1, 2018.

** Tax-free parking benefit limit increases from \$255 per month in 2017 to \$260 per month beginning January 1, 2018.

^SOURCE: Best Work Places for Commuters. <https://www.bestworkplaces.org/resource-center/qualified-transportation-fringe-benefits/>