



Getting to work can be a lot less taxing.

Tax Code Information

TransitChek is considered a "Qualified Transportation Fringe Benefit" and is governed by section 132(f) of the Internal Revenue Code, as amended on June 9, 1998, by Title IX, Section 9010 of the Transportation Equity Act for the 21st Century, Public Law 105-178. An official version of the tax is found at 26 U.S.C. Section 132(f). Deduction amount permitted was increased pursuant to the American Recovery and Reinvestment Act of 2009.

The law allows employers to give employees up to \$2,760 per year in TransitCheks as a pre-tax payroll deduction or a tax-free employee benefit. Any expenses associated with the program can be fully deducted by employers. (Please consult your accountant or tax attorney.)

Administration

Implementing TransitChek is easy. There are no complex regulations and requirements like those associated with Section 125 plans (Flexible Spending Accounts) and "use it or lose it" provisions do not apply. Employers do not need to submit special plans for TransitChek; any documentation is at the discretion of the employer.

Cash reimbursement and debit/credit card program

Because of the popularity of TransitChek and similar transit voucher programs, some human resources consultants and service providers are offering alternate programs, including credit/debit cards and cash reimbursement programs. IRS regulations are unclear regarding these alternatives and employers are advised to exercise caution in this area.

Currently, when a transit voucher or pass program is readily available (as defined by IRS regulations), employers are prohibited from using cash reimbursement as a way to provide transit benefits. Credit or debit cards that allow the value to be used for purchases other than transit fares are, in effect, cash reimbursement. Transit vouchers/pass programs are the only method of implementing this benefit with total compliance with 132(f).

Special note for self-employed individuals

The IRS defines self-employed persons as individuals who are partners, sole proprietors, S-Corp. employees with two percent or more ownership, and independent contractors. They are excluded from Section 132(f). However, they are included under earlier "de minimis fringe" regulations and are entitled to a \$21 per month (\$252 a year) maximum tax-free transit benefit.

Please consult your accountant or tax attorney for further guidance.