

# COMMUTER BENEFIT ARRANGEMENT

(For your qualified transportation and parking expenses)

IRC SECTION 132



## Information Sheet

### 1. WHAT IS IT?

A Transportation Fringe Benefit Plan allows you to use “tax-free” dollars to pay for qualified transportation and parking expenses used for the purpose of employment.

### 2. WHAT BENEFITS MAY BE OFFERED?

There are three qualified transportation fringe benefits that may be included in a plan. They are:

- Qualified Parking
- Transit Passes
- Vanpooling

**Qualified Parking** means parking provided to an employee at or near the business premises of the employer. It can also mean parking provided at or near a location from which the employee commutes to work by mass transit, vanpooling, carpool, or by any other means.

**Transit Passes** means any pass, fare card, or similar item (including an item exchangeable for fare media) that entitles the employee to transportation on mass transit facilities (whether or not publicly owned).

**Vanpooling** means transportation between the employee’s residence and place of employment in a commuter highway vehicle that has a seating capacity of six or more adults (not including the driver) and where at least 80% of the mileage used for a year can reasonably be expected for the purposes of transporting employees between their residence and place of employment.

### 3. WHAT ARE THE MAXIMUM BENEFIT LIMITS?

The limit for qualified parking is \$230 per month and \$230 per month for transit and vanpooling combined.

### 4. WHY SHOULD I PARTICIPATE?

You can avoid taxes on your premiums (Social Security tax at 7.65% and Federal Income Tax of generally 15% to 27%).

### 5. ARE THERE ANY NEGATIVES?

Because you do not pay Social Security taxes on your premiums, your Social Security benefits may be slightly reduced.

### 6. CAN I REVOKE MY PREMIUM REIMBURSEMENT AMOUNT?

You can revoke your existing election and make a new election any time during the year, as long as the election is made before the earlier of: 1) when the employee is currently able to receive the cash; or 2) the beginning of the period for which the benefit will be provided.

### 7. HOW AND WHEN DO I PARTICIPATE?

You may participate in the Plan at any time during the year. You will need to complete an Election/Salary Reduction Form and give it to your employer.

### 8. HOW AND WHEN DO I GET REIMBURSED?

Use your MGIS *Flex Convenience*® card to pay for your expenses or submit a copy of your parking, transit, or vanpooling expenses (by third party substantiation or employee certification) and a Reimbursement Request Form.

### EXAMPLE

You earn \$30,000 annually and pay \$185 per month (\$2,200 per year) out of pocket for your parking expenses.

#### WITHOUT QUALIFIED TRANSPORTATION BENEFIT

Gross (taxable) Pay	\$30,000
Taxes (estimated at 25%)	(-7,500)
Parking Deduction	<u>(-2,220)</u>
<b>NET TAKE HOME PAY</b>	<b>\$20,280</b>

#### WITH QUALIFIED TRANSPORTATION BENEFIT

Gross (taxable) Pay	\$30,000
Pre-tax Parking Benefit	<u>(-2,220)</u>
Taxable Pay	\$27,780
Taxes (estimated at 25%)	<u>(-6,945)</u>
<b>NET TAKE HOME PAY</b>	<b>\$20,835</b>

By participating in your employer’s Qualified Transportation Fringe Benefit Plan you would **INCREASE** your net take home pay by \$555 per year (approximately \$46 per month).\*

\*Actual savings may vary based on individual circumstances.