

Employer Commuter Benefits Guide

SF Environment – City & County of San Francisco

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What are commuter benefits?

Commuter benefits are a federally approved pre-tax incentive for employees to pay for transit and vanpool expenses. Please see the IRS' Employer's Tax Guide to Fringe Benefits at IRS.gov/publications/p15b/index.html (Publication 15-B) for the full regulations. Thousands of employers in San Francisco and across the country are offering the benefit to their employees. You could be taking advantage of the savings, too!

Everyone Benefits

Employees save by reducing their taxable income. This could equate to savings of up to 40% on transit or vanpool expenses.

Employers save by reducing their payroll taxes. In addition, transportation incentives are a valuable and popular addition to any competitive benefits package. Offering commuter benefits is administratively easy and inexpensive.

The environment benefits too! By providing significant savings, commuter benefits encourage the use of transit and vanpools to get to work. This helps relieve traffic congestion and maintain air quality, making our cities and regions better places to live.

San Francisco's Commuter Benefits Ordinance

Effective January 19, 2009, all employers in San Francisco who have 20 or more employees are required to offer a commuter benefits program. To learn more about this ordinance, please visit CommuterBenefits.org.



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How Does It Work?

Employers provide commuter benefits as a pre-tax deduction to pay for transit or vanpool expenses.

The cost of administering the program is often less than the savings you get from offering it. There are no tax forms to fill out or plan documents to submit. Commuter benefits are exempt from the usual restrictions and requirements that accompany other pre-tax programs allowed by the IRS.

Who can receive the benefit?

All W-2 recipients are eligible, including those who work for private, non-profit, federal, state, and local organizations.

How do I setup a program for my employees?

1. Present program to management and employees to gauge interest.
2. Determine whether you will self-administer the program or hire a third party vendor.
 - a. Self-administration means running a program in-house.
 - b. Third party vendors do the work of administration, from making deductions to mailing transit media. We usually recommend for businesses with over 100 employees or multiple locations to hire an administrator to do the work for them. Please see our list of vendors at CommuterBenefits.org/Services.php.
3. Notify employees of the program by distributing enrollment forms. Download our Sample Commuter Benefits Enrollment Form at CommuterBenefits.org.
4. Either in-house or through a third party vendor, make pre-tax deductions, purchase media (vouchers/debit cards or transit passes), and distribute media to employees.

How do employees receive their benefit?

Benefits, provided as a pre-tax deduction, are distributed in two forms:

- *Transit Passes*: purchased directly from specific transit agencies. Visit 511.org for a complete list of SF Bay Area Transit Agencies. Under "Transit" go to "Schedules, Map & Fares".
- *Vouchers/Debit Cards*: purchased from third party vendors. Vouchers/debit cards allow employees to buy passes from their transit agency of choice. Please see our list of vendors at CommuterBenefits.org/Services.php.

What are the savings?

Employer Savings

For each employee who makes a pre-tax deduction of \$100/month:

Pre-Tax Savings to Employer*	\$7.65/month
Annual Savings*	\$91.80/year
For a company of 20*	\$1836/year



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Employee Savings

For an employee earning \$2000/month and spending \$200/month on transit:

Before Commuter Benefits: Taxable income is \$2000/month.		After Commuter Benefits: Taxable income is \$1800/month.	
FICA and Medicare*	$\$2000 \times 7.65\% =$ \$153	FICA and Medicare*	$\$1800 \times 7.65\% =$ \$137.70
Federal Income Taxes*	$\$2000 \times 28\% =$ \$560	Federal Income Taxes*	$\$1800 \times 28\% =$ \$504
State Income Taxes*	$\$2000 \times 6\% =$ \$120	State Income Taxes*	$\$1800 \times 6\% =$ \$108
Total Taxes	\$833	Total Taxes	\$749.70
Tax Savings: $\$833 - \$749.70 = \$83.30$ Transit Costs after Commuter Benefits: $\$200 - \$83.30 = \$116.70$			
Employee's transit costs went from \$200/month to \$116.70/month (a 40% savings)!			

* Savings calculations are based on average tax percentages of 7.65% FICA and Medicare, 28% Federal Income Tax, and 6% State Income Tax. Actual employee tax savings depend on the individual's tax rates. Actual employer tax savings depend on the employer's payroll tax rates.

Contact Us

Contact the SF Department of the Environment's Clean Air & Transportation Program at (415) 355-3727 or commuterbenefits@sfgov.org.

We offer a suite of transportation tools to help any San Francisco employer support smart commuting options. Services include:

- Free, comprehensive transportation consulting, including employee survey and analysis.
- An Emergency Ride Home program that supports commuters using alternative transportation by paying for a ride home for personal emergencies. Please visit SFERH.org for more information.
- Free carpool/vanpool matching service for all San Francisco Bay Area riders. Please visit SFEnvironment.org/RideShareMatch for more information



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