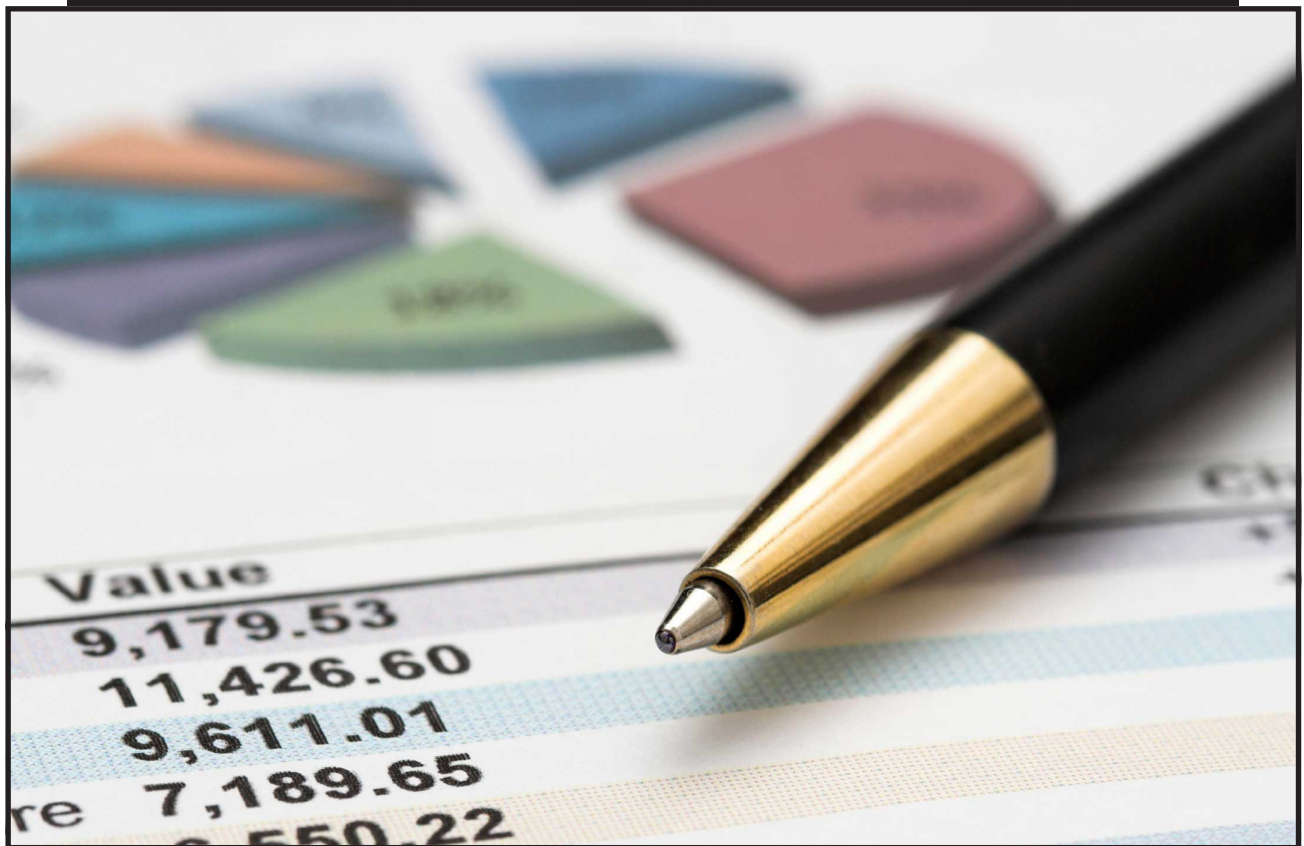


The Rising Cost of Commuting:

Developing a Transportation Benefits Plan



Presented By:
Jon Martz, VPSI Inc.

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“The ability to learn faster than your competitors may be the only sustainable competitive advantage.”

— Arie de Geus

The Rising Cost of Commuting:
Developing a Transportation Benefits Program

Jon W. Martz
Vice President, Government Relations

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Who is Jon Martz?

- Vice President: Government Relations ('00-Current)
- Vice President: Marketing ('88-'00)
- Federal Transit Administration: Consultant ('85-88)
- Vanpool Operations and Management: Texas ('81-'85)
- Regional Ridesharing Program : Dayton ('79-'81)
- Transportation Planner: Dayton ('75-'79)

- B.S. in Civil Engineering: University of Cincinnati

- Association for Commuter Transportation
President (05-08), Public Policy Committee: Chair (08-Current),
Leadership Academy: Director ('08-Current), Vanpool Council: Chair
(03-07), Board of Directors (03-04, 85-86)

- Bob Owens Leadership Award: Recognized long-standing
support for transportation demand management and significant
efforts to influence positive change in this arena at the national level.

- Blue Ribbon Panel of Experts: 75 member body of experts to
support Congressionally-chartered National Surface Transportation
Policy and Revenue Study Commission

- National Center for Transit Research: Advisory Board

- National Journal: "Transportation Expert"



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Agenda:

- Introduction
 - Goals for this Audio Conference
 - History of Commuter Benefits
- How Commuter Benefits Work
- Employer Characteristics That Contribute to Success
- Marketing Messages and Tactics
- Employer Decision Making and Technical Assistance
- Barriers and How to Overcome Them

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“BusinessWeek” Research Services



The Impact of Commuting on Employees: *How Commuter Benefits Can Help*
February 2008

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Cost of Commuting

Concerned with high cost
of fuel

92%

Concerned with cost of
commuting to work

80%

Business Week Research Services, 2008

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Growing environmental awareness

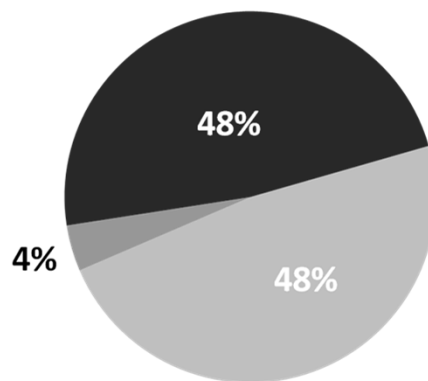
Concerned with global warming



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Business Week Research Services, 2008

Feeling About Commute

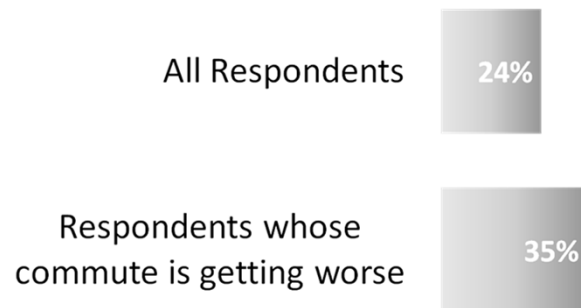


■ Staying the Same ■ Getting Better ■ Getting Worse

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Business Week Research Services, 2008

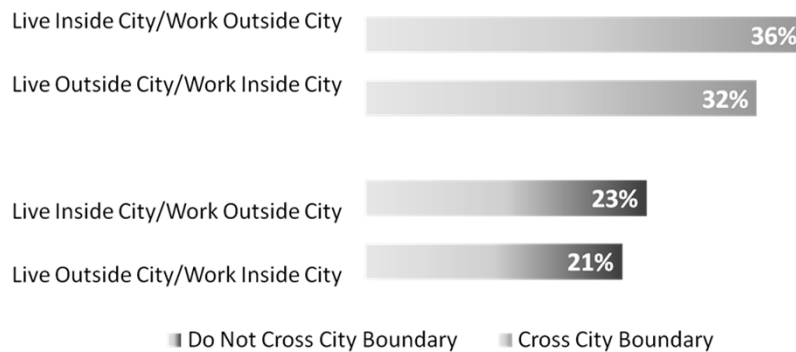
Commuters Who Arrive Late to Work *Three or More Days per Week*



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Business Week Research Services, 2008

Commuters Who Arrive Late to Work *by Live/Work Geography*

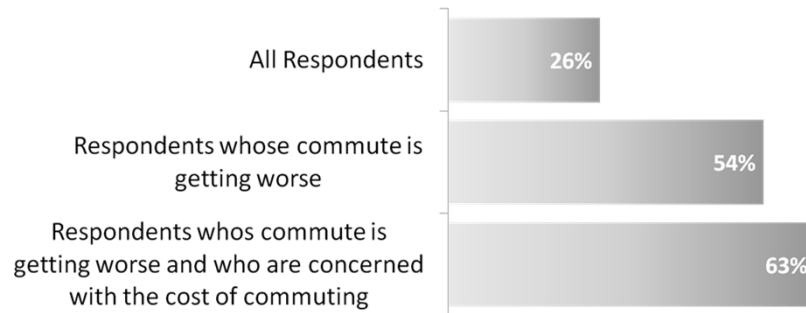


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Business Week Research Services, 2008

Difficult commutes may cause some to consider leaving their jobs

Respondents Who Would Potentially Take Another Job Due to Commuting Difficulties



Business Week Research Services, 2008

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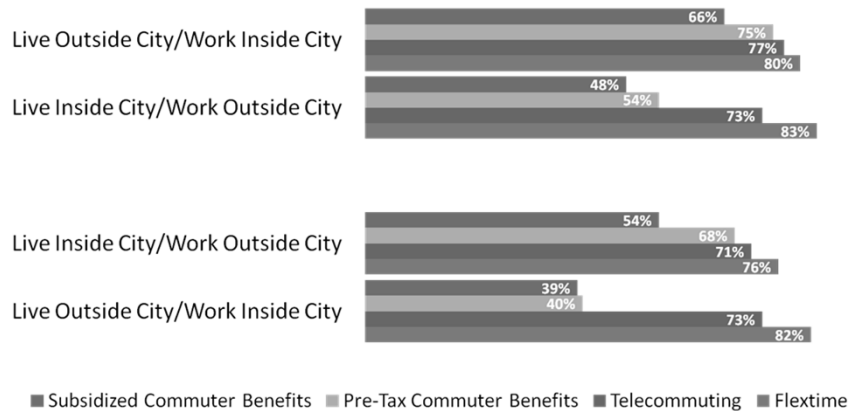
Importance of Benefits that Ease Commuting Pressures



Business Week Research Services, 2008

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Importance of Commute Benefits to Next Job by Live/Work Geography



Business Week Research Services, 2008

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“Commuter Choice”

- Commute-to-Work Tax Benefit
 - Vanpools
 - Public Transit
- Other Transportation Tax Benefits
 - Qualified parking
 - Qualified bicycling
 - Telecommuting

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What is an “Employee Commute Program?”

An “Employee Commute Program” is a business tool that:

- Reduces parking and work site traffic problems
- Helps meet goals to reduce drive-alone commute trips
- Provides tax savings for both employer and employee
- Boosts employee productivity, morale and wellness
- Enhances corporate image
- Reduces our impact on global climate change

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IRS Commuter Tax Benefits

- Three ways to reduce the cost of commuting via public transportation, commuter vanpooling or qualified parking for employees:
 1. a tax-free employer-paid subsidy
 2. a pre-tax employee-paid payroll deduction, or
 3. a combination of the above (shared employee- employer-paid)
- Tax-exempt and pre-tax limits are set by the IRS. The following are the limits for the 2012 tax year:
 1. \$125/month per employee for vanpool, bus, ferry, rail (all public transportation) ,
 2. \$240/month per employee for qualified parking, or
 3. \$365/month per employee for both public transportation & qualified parking.

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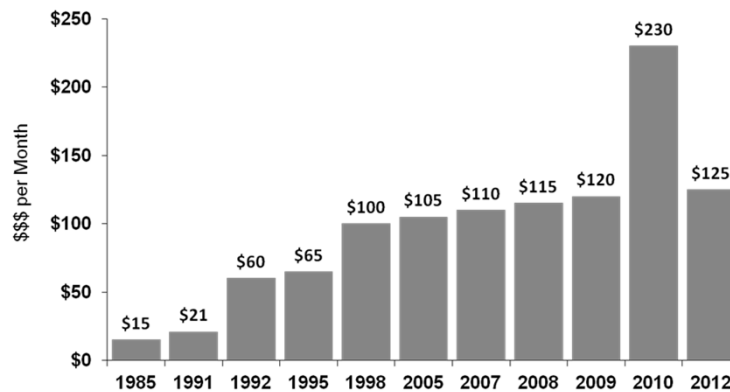


Compare Sec. 132(f) Commuter Benefits Plans vs. Sec. 125 Flexible Spending Plans

Characteristic	§132(f) Commuter Plans	§125 Flexible Spending Plans
Enrollment Period	Determined by employer, usually monthly	Must be annual
Reimbursement Period	Employee reserved wages must be used each month by company to purchase pass or e-purse	Employee can be reimbursed the full amount of one year's reserved income at any time during the year
Distribution of pre-tax income remaining at end of enrollment period	No "use-it-or-lose-it" provision, since funds do not accumulate	Employee forfeits money (commonly known as "use-it-or-lose-it")
Employee Eligibility	May be made available to any employee or groups of employees	Must meet nondiscrimination test
IRS reporting requirements	No reporting requirements	Annual reporting required
IRS plan documentation	No written plan documentation required	Written plan documentation required

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Maximum Value of Commuter Tax Benefits



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Federal Legislative Initiatives:

“Commuter Benefits Equity Act”

Recent Legislative History

- “Economic Stimulus Act of 2008” increased from \$120/mo to \$230/mo (“parity with parking”) the allowable exclusion of transit/vanpool benefits from gross income. Subsequently, a single year inclusion of “parity with parking” was granted in the extension of the 2010 Bush Tax Cuts.
- Permanent “parity with parking” was proposed to be included in the 2011 payroll tax extension, but it was not included in the two-month extension which expires at the end of Feb ‘12.
- Parity with Parking” is included in Senate version of “Tax Extenders” bill, which was passed in last week of July 2012.
- Strong consideration is being given to including this measure in the House version of the “Tax Extenders” package. (To be addressed before EOY).

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IRS Announces 2012 Benefit Limit Adjustments

Qualified transportation fringe benefits under IRC Section 132 are:

- \$125 per month, reduced from \$230 per month, for transportation in a commuter highway vehicle and any transit pass under IRC Section 132(f)(2)(A); and
- \$240 per month, increased from \$230 per month, for qualified parking under IRC Section 132(f)(2)(B).

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Transportation in a Commuter Highway Vehicle
aka "Commuter Vanpool"

- **Definition**
- Dollar Limitation
- Non-Discrimination Rules
- Valuation
- Substantiation Requirements

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Transportation in a Commuter Highway Vehicle
aka "Commuter Vanpool"

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Transportation in a Commuter Highway Vehicle *aka "Commuter Vanpool"*

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Transit Passes

- **Dollar Limitation**
- Non-Discrimination Rules
- Valuation
- Substantiation Requirements
- Cash Reimbursement – Special Rule

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Transit Passes

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Salary Reduction Agreements

- Limitations
- Negative Election
- Effect on Deferred Compensation Plans

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Salary Reduction Agreements

- **Limitations**
- Negative Election
- Effect on Deferred Compensation Plans

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Salary Reduction Agreements

- Limitations
- **Negative Election**
- Effect on Deferred Compensation Plans

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Salary Reduction Agreements

- Limitations
- Negative Election
- **Effect on Deferred Compensation Plans**

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Other Transportation Benefits

- **Occasional cab fare**
- Unsafe working conditions
- Qualified parking
- Qualified bicycling
- Telecommuting

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Other Local Transportation Benefits

- Occasional cab fare
- **Unsafe working conditions**
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- Telecommuting

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In closing...

- Know your tax basics
- Understand how employer characteristics affect receptivity to commuter benefits
- Be familiar with hurdles and legal issues
- Recognize that one size does not fit all
- Ensure that voucher/pass programs are easy to use

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Additional Resources

- “Best Workplaces for Commuters”
<http://www.bestworkplaces.org/>
- Association for Commuter Transportation
www.actweb.org
- “Commuter Check”
www.commutercheck.com
- “WageWorks”
<http://www.wageworks.com/employee/commuter/>

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Notes

