

Transportation Reimbursement Account

Your commute won't take less time. But it will cost less money.



Over the past several years, changes Congress made to Internal Revenue Code Section 132(f) created the possibility for employee pre-tax elections under such programs, but the operational rules were not clear. Under current regulations, employers may offer employer-provided parking, vanpooling, and mass transit passes as a tax-free benefit pursuant to an elective pre-tax salary reduction arrangement. The amount by which the employee's pay is reduced and the value of the parking, vanpooling and/or transit benefits provided to the employee is excluded from compensation for both income and FICA taxes.

What is a Transportation Reimbursement Account?

Under Section 132(f) of the Internal Revenue Code, a Qualified Transportation Benefit Reimbursement Program allows your employer to offer you the opportunity to set aside a portion of your salary pre-tax, to pay for certain transit, parking and van-pooling commuting expenses.

Qualified parking expenses include: Parking a vehicle in a facility that is near your workplace or parking at a location

from where you commute to work (e.g., train station, or by carpool).

Qualified mass transit expenses include: Pass, tokens, fare card, voucher or other item that entitles you to use mass transit for the purpose of traveling to and from work.

Qualified Van Pooling expenses include: Transportation to and from work in a "commuter highway vehicle" (vehicle with a seating capacity of six or more adults).

Statutory Limits

The 2016 statutory dollar limits for this plan are:

- ▶ \$255 per month for parking
- ▶ \$130 per month for van pooling and transit passes

The Regulations state that the employer may provide the parking or vanpooling benefit by reimbursing the employee in cash for expenses the employee has paid. The employer does not have to provide the actual parking facility or vanpooling or arrange for direct payment for such services.

How Does It Work?

The transportation benefit covers only employees of the plan sponsor and does not cover dependents, independent contractors, volunteers and/or vendors.

It is similar to the pre-tax flexible spending accounts available for medical expenses and dependent care. One important difference, however, is that unused balances in a Transportation Reimbursement Account can be rolled over from month to month or year to year within the same account. Maximum reimbursement cannot exceed the IRS limit in any single month. For 2016, the parking limit is \$255/mo. and the transit and vanpooling limit is \$130/mo.

Sentinel Benefits offers the Benny Debit Card to accommodate you purchasing transit passes using pre-tax funds. If the transit system you wish to utilize has an employer transit pass program, your employer is not allowed to reimburse you in cash for those expenses,

therefore, in order to participate in the transit program, you will need to sign up for the Benny Card and use this card to purchase your transit pass with pre-tax funds.

While there is no specific “use-it-or-lose-it” rule, unused funds are forfeited by you at the time you terminate employment or the employer terminates the plan, whichever occurs first.

How Much Will You Save?

You will save all income and payroll taxes on the amount of money provided for commuting benefits. Due to the tax savings, you could save more than \$900 in annual commuting costs. *Note: This example assumes a 33% combined Federal and State income tax rate and the Social Security taxes paid by employees.*

Our Purpose

As one company, we're working to create peace of mind by enhancing the financial well-being of our clients.

Facts & Figures*

- Over 150,000 plan participants served
- 1,800 retirement plans administered
- 1,500 health & welfare plans administered
- \$6 billion in assets under recordkeeping administration
- \$3 billion in assets under brokerage & advisory services
- \$150 million in premium under insurance brokerage & insurance advisory services

Contact Us

To learn more about how we can help, contact our Service Center to start a conversation today. Or visit us at sentinelgroup.com.

- Boston, MA
- New York, NY
- Long Island, NY



¹ Tax savings will vary based on the individual's local and state laws.

² IRC Sections 125, 129, 132, 213, 105, 106 and relevant Government Regulations all provide authority for the various plans discussed in this proposal.

*As of 12/31/2014. Figures are unaudited. First Use: 10/27/15