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ARE YOU AWARE OF THE SECTION 132 COMMUTER BENEFITS PLAN???

A growing number of employers are offering a transportation fringe benefit to their employees to reduce expenses associated with mass transit and parking. For those of you with divisions in remote locations in or out of state, a Section 132 Commuter Benefits Plan may make sense for you.

Internal Revenue Code Section 132 and the Transportation Equity Act for the 21st Century (TEA-21) allows employers to offer employees the ability to designate a pre-tax portion of their salary to pay for qualified mass transit (bus, train, subway fares) and parking expenses.

HOW IT WORKS:

A Section 132 Plan is a pre-tax savings plan similar to Section 125 Cafeteria Plans. Common examples of Flexible Spending Accounts include Medical and Dependent Care, Premium Conversion, and Non-Employer Sponsored Dependent Premium Reimbursement.

Section 132 Plans are similar to the pre-tax flexible spending accounts available for medical and dependent care expenses. However, the Section 132 benefit does NOT include a "use it or lose it penalty," applicable to medical/dependent care flexible spending accounts. Leftover funds are carried forward month to month or year to year.

Before the start of the Section 132 plan year, employees elect a specified dollar amount of pre-tax salary to cover qualified mass transit expenses, and a specified amount for parking expenses. Separate reimbursement accounts are maintained for each category, and funds cannot be commingled or transferred between accounts.

For 2010, employees can reserve up to **\$230** a month for mass transit expenses and a separate amount of up to **\$230** a month for parking expenses. That's \$460 a month in pre-tax dollars your employees could set aside to cover mass transit and parking expenses.

Should the employee have the need during the plan year to modify their election, they may do so prior to the beginning of the next calendar month. Reimbursements are submitted by the employees throughout the plan year and remember any unused funds rollover to the next plan year.

QUALIFIED MASS TRANSIT EXPENSE REQUIREMENTS:

- Mass transit must be via a public system, or a private enterprise provided by a company/individual who is in the business of transporting people in a "commuter highway vehicle."
- "Commuter highway vehicle" is defined as having a seating capacity for six or more adults (not including the driver), and at least 80% of the of the vehicles' mileage for transporting employees to and from their place of work.
- Transit vehicle must be carrying at least 3 passengers (not including the driver).
 - Examples of qualified mass transit costs: Ticket, pass, token, fare, voucher, or other item entitling employee to use mass transit for the traveling to or from his/her place of work.

QUALIFIED PARKING EXPENSE REQUIREMENTS:

- Parking a vehicle in a facility that is near the employee's place of work
- Parking at a location from where the employee then commutes to work

ELIGIBILITY:

Common law employees and officers of corporations are eligible. However, sole proprietors, partners, independent contractors, and two-percent shareholders of S corps are not eligible. There are no non-discrimination or eligibility requirements.

TAX SAVINGS:

Federal income tax and social security (FICA) tax are not imposed on amounts designated for IRS Section 132 qualified transportation expenses. Depending on state law, individuals may also avoid state and local income taxes on earnings. The federal tax savings can be substantial. The following table summarizes the amount of Section 132 savings available at different income levels, assuming maximum employee contributions are made to each reimbursement account (\$460.00 monthly contribution -- \$230.00 for mass transit plus \$230.00 for parking).

Sample Federal Income Tax Rate Plus FICA	Annual Salary Deduction (\$460 per month)	Tax Savings
22.65%	\$5,520	\$1,250
35.65%	\$5,520	\$1,968
37.45%	\$5,520	\$2,067
41.05%	\$5,520	\$2,266

QUESTIONS:

If you are interested or would like to learn more about the Section 132 Commuter Benefits plan, please contact your Account Manager at **248.355.9600**.