



**AMERICAN BENEFITS GROUP**

*Empowering Technology. Exceptional Service.*

**Commuter Transit & Parking Administration Solutions**

## Benefits of the Section 132(f) Tax-Free Commuter Plan

Employers today are looking for new ways to improve employee benefits for no additional expense. Because of the tax savings to employers who provide Section 132(f) Tax-Free Commuter Plans, offering these Plans is one way of providing additional employee benefits at practically no additional cost!

A Section 132(f) Tax-Free Commuter Plan is a plan that is established by an employer to allow its employees use pre-tax dollars to pay for qualified parking and transit expenses. The Plan benefits the employer by saving on FICA taxes for expenses qualified under a Section 132(f) Tax-Free Commuter Plan. In many states these benefits are exempt from state income tax as well.

Employees may elect up to the IRS Limit pre-tax basis for qualified commuter transit expenses and qualified parking expenses. Employers need to decide if they will take post-tax deductions.

In the example below, an employee with an annual pay of \$40,000 contributes \$3,600 a year into a Commuter Account. As a result, the employee's taxable income goes down to \$36,400, which saves a projected \$1,130 in taxes. In other words, the employee has received a \$1,130 discount on the expenses they paid from the Commuter Account saving over 35% on expenses they would have had to pay anyway.

### How It Works

The Section 132(f) Commuter Plan is similar to pre-tax flexible spending accounts available for medical and dependent care expenses. One important difference, there is no "Use of Lose" penalty; funds can roll from month to month. Depending on the Plan offered by the employer, the employee either (1) makes a monthly election (up the IRS pre-tax limits for transit and or parking expenses.

Annual Tax Savings Example	With Plan	Without Plan
If your taxable income is:	\$40,000	\$40,000
And you deposit this annual amount:	-\$3,600	- \$0
Your taxable income is now:	\$36,400	\$40,000

The election amount is deducted from the employee's pay and the funds are made available on the American Benefits Group terminal restricted debit card, or (2) the employee orders transit passes or parking vouchers through the My Commuter Connect benefit order site, the passes are mailed to the employee or the funds are loaded onto the transit authority's smart card, and the cost of the order is deducted from the employee's pay.



## Qualified Parking Expenses

Parking Expenses that can be paid with pre-tax dollars include the costs of (1) parking a vehicle in a facility that is near the employee's place of work, or (2) parking at a location from which the employee commutes to work (for example, the cost of parking in a lot at the train station so that the employee can continue his/her commute on the train).

## Qualified Transit Expenses

Qualified amounts include costs of any pass, token, fare card, voucher or other item that entitles the employee to use mass transit for the purpose of traveling to or from their place of work: Subway, Train, Streetcar, Ferry and Commercial Vanpool.

<b>Program 1</b> <b>My Commuter Connect</b>	<b>Program 2</b> <b>American Benefits Group Terminal Restricted Card</b>
<p><b>Employees</b></p> <ul style="list-style-type: none"> <li>• Have access to the My Commuter Connect benefit order site</li> <li>• Order monthly passes or vouchers or have their transit smart cards reloaded with funds</li> <li>• Monthly cut-off date for orders</li> <li>• Deductions from employee's pay based on orders made at the time of the monthly cut-off</li> <li>• Ability to set-up recurring orders</li> </ul>	<p><b>Employees</b></p> <ul style="list-style-type: none"> <li>• Employee makes monthly election</li> <li>• Funds are deducted from employees pay based on monthly election</li> <li>• Monthly election amounts are available on the ABG "terminal restricted card" for the first of each month following the election</li> <li>• Card can be used to purchase transit passes or vouchers or to load transit authority smartcards</li> <li>• Manual claims can be submitted for out of pocket parking expenses, not transit expenses</li> </ul>
<p><b>Employers</b></p> <ul style="list-style-type: none"> <li>• Employer is provided with access to the HR administrative portal where they can run:               <ol style="list-style-type: none"> <li>1) "Monthly Payroll Funding Deduction Report" which will provide them with the amounts to be deducted from their employees' pay.</li> <li>2) "Employer Funding Report" which advises employers of the amount that will be deducted from their designated bank account to pay for all orders placed by their employees as of the monthly cutoff date.</li> </ol> </li> <li>• Forms, documents and educational materials provided on orders made at the time of the monthly cut-off</li> <li>• Add terminations</li> </ul>	<p><b>Employers</b></p> <ul style="list-style-type: none"> <li>• Stacked debit cards allow commuter benefits to be available on the same card that is used for flexible spending accounts or HRAs</li> <li>• ABG provides employers with our online open enrollment module for the initial open enrollment of their employees to elect monthly commuter benefits</li> <li>• Employees can change commuter elections on a monthly basis. Monthly changes are processed through the employer and are passed over to ABG either through an EDI payroll file, or by sending change forms to our processing department.</li> <li>• Employer has access to the ABG HR administration portal where they can run the following reports:               <ol style="list-style-type: none"> <li>1) Debit card reconciliation reports</li> <li>2) Future Commuter Deposit Reports</li> <li>3) Manual claim reimbursements</li> </ol> </li> <li>• Forms, documents and educational materials provided on orders made at the time of the monthly cut-off</li> </ul>

## About American Benefits Group

American Benefits Group (ABG) is a wholly owned subsidiary of NFP Corp., a powerful, national partnership of over 180 owned and 350 affiliated independent corporate benefits consulting and diversified financial service firms that provide informed and innovative benefits strategies customized for over 40,000 employers of all sizes. As the national platform partner for NFP Benefits, American Benefits Group provides Flexible Spending Accounts, HRA, HSA, Section 132 Transit, and COBRA & Direct Premium Billing administrative services to the employer clients of NFP companies nationwide.

## Unmatched Expertise

Our professional benefits administrative staff is knowledgeable in every aspect of employee benefits plan design, compliance and reimbursement account administration. All of our administration team members are professionally certified and receive continuous advanced training. With over 100 years of combined industry experience in Cafeteria Plans and Flexible Spending Accounts and COBRA administration, American Benefits Group's team is dedicated to sharing our expertise with you and your employees.

## A Concierge and Boutique Service Model

Every employer client works with a dedicated account service team that manages all aspects of their program. Your account service team pays careful attention to understanding the needs of your company, your participants and the scope of your plan.

*Our mission is to define a level of service that is unmatched in the industry today, and exceeds our client's expectations in every way.*

