



Metropolitan
Transportation
Authority

SUBJECT: COMMUTER BENEFITS EQUITY ACT OF 2001

ACTION: MTA STAFF RECOMMENDS THE MTA BOARD OF DIRECTORS ADOPT SUPPORT POSITIONS ON BOTH FEDERAL BILLS

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Los Angeles, CA
90012-2952

RECOMMENDATION

Staff recommends the Board of Directors adopt the following positions:

- A. S. 217 (U.S. Senator Schumer) – Amend the Internal Revenue Code to increase the dollar limitation for all types of transportation fringe benefits from \$65 to \$175. **SUPPORT**
- B. H.R. 318 (U.S. Representative McGovern) – Amend the Internal Revenue Code to increase the dollar limitation for all types of transportation fringe benefits from \$65 to \$175. **SUPPORT**

ISSUE

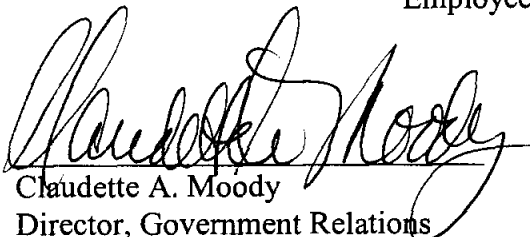
Staff has been reviewing several transportation related bills. The attached bills identify two significant bills which staff believe the MTA Board of Directors should take position.

ATTACHMENTS

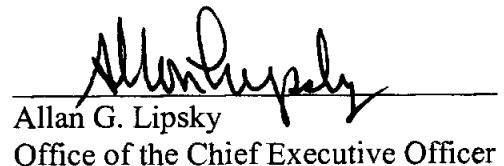
Attachment A1-A2: Legislative Bills

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BILL: S. 217
H.R. 318

AUTHOR (S): U.S. SENATOR CHARLES E. SCHUMER (D-NY)
REPRESENTATIVE JAMES P. MCGOVERN (D-MA)

SUBJECT: COMMUTER BENEFITS EQUITY ACT OF 2001

STATUS: SENATE FINANCE COMMITTEE (S. 217)
HOUSE WAYS AND MEANS COMMITTEE (H.R. 318)

ACTION: SUPPORT BOTH BILLS

RECOMMENDATION

MTA staff recommends the MTA Board of Directors adopt support positions on S. 217, introduced by United States Senator Charles E. Schumer (D-NY) and H.R. 318, a similar bill introduced by Representative James P. McGovern (D-MA). This recommendation is consistent with previous MTA positions.

PROVISIONS

Existing Federal law permits employers to give workers a limited amount of non-taxable fringe benefits for commuting to work by transit or vanpools or for parking. Employees can also use a comparable amount of pre-tax wages to pay for transit, vanpools, or parking. The law limits such transit and vanpool benefits to \$65 per month, while it sets the limit on parking benefits at \$175 per month.

In the Intermodal Transportation Efficiency Act (ISTEA) and the Transportation Equity Act for 21st Century (TEA 21), Congress endorsed a national transportation policy which allows communities to chose transportation solutions that best address local needs. The change to the Internal Revenue Code of 1986, proposed in S. 217 and H.R. 318 would equalize parking and transit benefits, and establish parity between federal workers and private-sector employees.

S. 217 and H.R. 318 would raise the transit commute tax-free benefit from \$65 per month to \$175 per month, the current maximum for parking benefits, and provide "cost of living" increases for both benefits in the future by amending the Internal Revenue Code of 1986 to provide a uniform dollar limitation for all types of transportation fringe benefits excludable from gross income, and for other purposes.

IMPACT ANALYSIS

The MTA currently offers employees who use transit or vanpool a 100% subsidy, of the lowest available fare, up to \$102 per month. As of February 2001, nine hundred seventy five (975) employees receive subsidies in excess of \$65. Those employees who receive a TransitChek over \$65 are taxed on the difference between the applicable monthly limit and the value of the TransitChek received. (For example, if an employee received a \$102 TransitChek, \$65 of that \$102 is excludable from taxable income. The additional \$37 is added to the employees' taxable income.)

If enacted, the legislation would increase the amount excludable from taxable income on all transportation fringe benefits (transit, vanpool, and qualified parking) to \$175. By increasing the Transportation Benefit Cap to \$175, MTA would benefit in the following ways:

1. Potential increase use of public transportation.
2. Reduction in payroll taxes for both MTA and its employees.
3. Less administrative work for Payroll and Human Resources.
4. With the expected increased participation of public transportation, MTA will more easily meet its Average Vehicle Ridership (AVR) goals. Complying with the South Coast Air Quality Management District's Rule 2202 requires the implementation of an emissions reduction program to reduce emissions related to employee commutes and includes worksite specific emission reduction targets.

While MTA's subsidy, which is one of the highest offered by any employer in Los Angeles County, would probably remain the same; the increase in the benefit cap may encourage more companies to increase the amount of incentive offered to their employees. An increase in financial incentives would encourage additional riders to take public transit.

Due to the additional taxable income from the receipt of a transportation subsidy in excess of \$65, an employees' take home pay is reduced each month by approximately \$9¹. Raising the benefit cap from \$65 to \$175 would increase the employees take home pay by eliminating additional taxable income. Furthermore, MTA would lower its payroll taxes by approximately \$1,500² per month due to the reduction of \$35,000 in additional payroll.

Each month, Human Resources generates a report to Payroll so that employees' taxable income can be adjusted. Once Payroll receives the report, the information is entered into the payroll system. By increasing the benefit cap, at least six pages, and potentially more payroll input would be eliminated each month.

¹ A 24% tax base was used to calculate the affect on employees' take home pay.

² Payroll taxes equal 7.65% for MTA employees and 1.45% for PTSC employees.

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107th CONGRESS
1st Session

S. 217

To amend the Internal Revenue Code of 1986 to provide a uniform dollar limitation for all types of transportation fringe benefits excludable from gross income, and for other purposes.

IN THE SENATE OF THE UNITED STATES

January 30, 2001

Mr. Schumer (for himself, Mr. Warner, Mr. Durbin, Mr. Santorum, Mr. Sarbanes, Mr. Chafee, Mr. Voinovich, Mr. Kerry, Mr. Dodd, and Ms. Mikulski) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide a uniform dollar limitation for all types of transportation fringe benefits excludable from gross income, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ``Commuter Benefits Equity Act of 2001''.

SEC. 2. UNIFORM DOLLAR LIMITATION FOR ALL TYPES OF TRANSPORTATION FRINGE BENEFITS.

(a) In General.--Subparagraph (A) of section 132(f)(2) of the Internal Revenue Code of 1986 (relating to limitation on exclusion) is amended by striking ``\$65'' and inserting ``\$175''.

(b) Conforming Amendment.--Section 9010 of the Transportation Equity Act for the 21st Century is amended by striking subsection (c).

(c) Effective Date.--The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 3. CLARIFICATION OF FEDERAL EMPLOYEE BENEFITS.

Section 7905 of title 5, United States Code, is amended--

(1) in subsection (a) --

(A) in paragraph (2)(C) by inserting ``and'' after the semicolon;

(B) in paragraph (3) by striking ``; and'' and inserting a period; and

(C) by striking paragraph (4); and

(2) in subsection (b)(2)(A) by amending subparagraph (A) to read as follows:

``(A) a qualified transportation fringe as defined in section 132(f)(1) of the Internal Revenue Code of 1986;''.

<all>

107TH CONGRESS
1ST SESSION

H. R. 318

To amend the Internal Revenue Code of 1986 to provide a uniform dollar limitation for all types of transportation fringe benefits excludable from gross income.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 31, 2001

Mr. MCGOVERN (for himself, Mr. SHAYS, and Mr. BORSKI) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide a uniform dollar limitation for all types of transportation fringe benefits excludable from gross income.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Commuter Benefit Eq-
5 uity Act of 2001”.

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