



Los Angeles County
Metropolitan Transportation Authority


One Gateway Plaza
Los Angeles, CA 90012-2952


213.922.2000 Tel
metro.net

Metro

DECEMBER 23, 2011

TO: BOARD OF DIRECTORS

THROUGH: ARTHUR T. LEAHY 
CHIEF EXECUTIVE OFFICER

FROM: RAFFI HAIG HAMPARIAN 
**GOVERNMENT RELATIONS DIRECTOR FOR
FEDERAL AFFAIRS**

SUBJECT: CNG TAX CREDIT AND COMMUTER TAX BENEFIT

ISSUE

The first session of the 112th Congress has ended without the extension of two tax-related matters that impact our agency and Los Angeles County transit users: the compressed natural gas (CNG) tax credit and the commuter tax benefit.

BACKGROUND

Under the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), which was signed into law in August 2005, Metro became eligible for an alternative fuels tax credit of 50 cents per liquid gallon that applies to CNG used for our bus fleet. The tax credit took effect on October 1, 2006. As has been discussed at our Board meetings and outlined in Legislative Alerts, the CNG tax credit, which had been extended a number of times, formally expires on December 31, 2011. The CNG tax credit is worth \$1.65 million to our agency every month, which accrues to approximately \$20 million annually.

The commuter tax benefit, enhanced in the American Recovery and Reinvestment Act of 2009 (ARRA), is also slated to suffer a setback due to Congressional inaction. Specifically, ARRA boosted pre-tax commuter tax benefits into alignment with pre-tax parking benefits, which had historically had a significantly higher limit. ARRA set both the commuter and parking benefit at \$230 a month. The commuter tax benefit is slated to be reduced to \$125 per month due to the fact that Congress did not extend the provision in ARRA that brought the commuter tax benefit into parity with the parking benefit.

Our agency has been working in concert with the Southern California Regional Rail Authority (Metrolink) and other transportation stakeholders statewide and nationwide to restore the commuter tax benefit to \$230 a month. According to Metrolink, it is possible that up to 17,000 monthly pass holders may experience an increase in their commuting cost. Metrolink estimates that over 10% of their ridership may reconsider the benefit of commuting by public transportation due to the expiration of this tax benefit, resulting in a potential loss ranging from \$800,000 to \$1.6 million in their annual fare revenue.

NEXT STEPS

Given the financial importance to our agency of the CNG tax credit and the importance of the commuter tax benefit to commuters in our region, Metro's Government Relations staff and our federal advocates will continue to work with national stakeholders as well as Los Angeles County's Congressional Delegation to push for the extension of both tax items as Congress considers a tax extenders package in 2012.