TCRP REPORT 87

TRANSIT COOPERATIVE RESEARCH PROGRAM

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Strategies for Increasing the Effectiveness of Commuter Benefits Programs

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Strategies for Increasing the Effectiveness of Commuter Benefits Programs

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SUBJECT AREAS
Public Transit

Research Sponsored by the Federal Transit Administration in Cooperation with the Transit Development Corporation

TRANSPORTATION RESEARCH BOARD

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TRANSIT COOPERATIVE RESEARCH PROGRAM

The nation's growth and the need to meet mobility, environmental, and energy objectives place demands on public transit systems. Current systems, some of which are old and in need of upgrading, must expand service area, increase service frequency, and improve efficiency to serve these demands. Research is necessary to solve operating problems, to adapt appropriate new technologies from other industries, and to introduce innovations into the transit industry. The Transit Cooperative Research Program (TCRP) serves as one of the principal means by which the transit industry can develop innovative near-term solutions to meet demands placed on it.

The need for TCRP was originally identified in *TRB Special Report 213—Research for Public Transit: New Directions,* published in 1987 and based on a study sponsored by the Urban Mass Transportation Administration—now the Federal Transit Administration (FTA). A report by the American Public Transportation Association (APTA), *Transportation 2000*, also recognized the need for local, problem-solving research. TCRP, modeled after the longstanding and successful National Cooperative Highway Research Program, undertakes research and other technical activities in response to the needs of transit service providers. The scope of TCRP includes a variety of transit research fields including planning, service configuration, equipment, facilities, operations, human resources, maintenance, policy, and administrative practices.

TCRP was established under FTA sponsorship in July 1992. Proposed by the U.S. Department of Transportation, TCRP was authorized as part of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). On May 13, 1992, a memorandum agreement outlining TCRP operating procedures was executed by the three cooperating organizations: FTA; the National Academies, acting through the Transportation Research Board (TRB); and the Transit Development Corporation, Inc. (TDC), a nonprofit educational and research organization established by APTA. TDC is responsible for forming the independent governing board, designated as the TCRP Oversight and Project Selection (TOPS) Committee.

Research problem statements for TCRP are solicited periodically but may be submitted to TRB by anyone at any time. It is the responsibility of the TOPS Committee to formulate the research program by identifying the highest priority projects. As part of the evaluation, the TOPS Committee defines funding levels and expected products.

Once selected, each project is assigned to an expert panel, appointed by the Transportation Research Board. The panels prepare project statements (requests for proposals), select contractors, and provide technical guidance and counsel throughout the life of the project. The process for developing research problem statements and selecting research agencies has been used by TRB in managing cooperative research programs since 1962. As in other TRB activities, TCRP project panels serve voluntarily without compensation.

Because research cannot have the desired impact if products fail to reach the intended audience, special emphasis is placed on disseminating TCRP results to the intended end users of the research: transit agencies, service providers, and suppliers. TRB provides a series of research reports, syntheses of transit practice, and other supporting material developed by TCRP research. APTA will arrange for workshops, training aids, field visits, and other activities to ensure that results are implemented by urban and rural transit industry practitioners.

The TCRP provides a forum where transit agencies can cooperatively address common operational problems. The TCRP results support and complement other ongoing transit research and training programs.

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The members of the technical advisory panel selected to monitor this project and to review this report were chosen for recognized scholarly competence and with due consideration for the balance of disciplines appropriate to the project. The opinions and conclusions expressed or implied are those of the research agency that performed the research, and while they have been accepted as appropriate by the technical panel, they are not necessarily those of the Transportation Research Board, the National Research Council, the Transit Development Corporation, or the Federal Transit Administration of the U.S. Department of Transportation.

Each report is reviewed and accepted for publication by the technical panel according to procedures established and monitored by the Transportation Research Board Executive Committee and the Governing Board of the National Research Council.

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FOREWORD

By Dianne S. Schwager
Staff Officer
Transportation Research Board

TCRP Report 87: Strategies for Increasing the Effectiveness of Commuter Benefits Programs will be of interest to transportation agencies, such as transit providers, metropolitan planning organizations, and transportation management associations, that want to increase the effectiveness of their commuter benefits and related outreach programs. The report is designed to help transportation agencies improve their commuter benefits offerings to better meet employer needs and increase participation through more effective marketing.

Driving alone contributes to high levels of traffic congestion, fuel consumption, and air pollution in metropolitan areas throughout the United States. According to the 2000 Census, approximately 76 percent of U.S. workers regularly drove alone to work in 2000. The federal tax code provides incentives for employers to offer commuter benefits to employees. Under tax law, an employer may offer one or more options from a menu of commuter benefits, including

- A tax-free employer-paid commuter benefit for riding transit or vanpooling;
- A pre-tax commuter benefit program in which employees are allowed to reserve income for transit or vanpooling on a pre-tax basis; and/or
- A parking cash-out program, in which employees are given the option of accepting taxable income (or tax-free transit and vanpool benefits) in lieu of a free or subsidized parking space at work.

By providing benefits for not driving to work alone, commuter benefits programs can encourage employees to switch to transit, vanpools, and other non-drive-alone modes. Commuter benefits programs can (1) save employers money on parking, (2) save employees money on commuting expenses and income taxes, (3) save both employers and employees money on payroll taxes, and (4) increase employee job satisfaction and help in attracting and retaining employees. Despite these benefits and the tax advantages, many employers do not take advantage of the flexibility they have to offer commuter benefits. Employees can participate in commuter benefits programs only if such programs are offered by their employers. As a result, many employees are not able to take advantage of tax savings allowed under federal tax law (and in some cases, state tax law).

Under TCRP Project H-25, "Strategies for Increasing the Effectiveness of Commuter Choice," the research team of ICF Consulting, in association with the Center for Urban Transportation Research, Nelson\Nygaard, and ESTC, prepared a thorough report that (1) explains how commuter benefits work, (2) describes which characteristics of employers contribute to the success of these programs, (3) presents marketing messages and tactics to promote commuter benefits programs, (4) reviews barriers and how to overcome them, and (5) provides guidance on how to develop an effective commuter benefits program. The report includes 10 appendixes that provide considerable legal and technical information on commuter benefits, as well as the results of surveys, interviews, and case studies conducted as part of this research project.

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AUTHOR ACKNOWLEDGMENTS

This report reflects the work of a number of people. The project team consisted of Will Schroeer, Michael Grant, Liisa Ecola, and Keri Funderburg at ICF Consulting; Phil Winters and Chris Hagelin at the Center for Urban Transportation Research (CUTR); Barb Laurenson of Nelson\Nygaard; and Eric Schreffler of ESTC.

We also owe many thanks to the persons who contributed their knowledge of commuter benefits to this research. In the Washington, DC, area, we spoke with Nick Ramfos, Chief of Alternative Commute Services at the Metropolitan Washington Council of Governments; Lorraine Taylor, Assistant Sales Manager at the Washington Metropolitan Area Transit Authority; and Lois DeMeester and Howard Jennings of Arlington Transportation Partners. In the Boston area, Kay Carson, the Marketing and Communications Manager at CARAVAN for Commuters; Catherine Preston and Joe Barr in Transportation Demand Management at the City of Cambridge; Allison Simmons, Executive Director of the Artery Business District TMA; and Peter Swan, Account Executive, Massachusetts Bay Transportation Authority were very generous with their time. In Miami/Dade County and Fort Lauderdale, we interviewed David Burr and Kathy McCall of South Florida Commuter Services; Michael DeCossio, Rosemary Cortez, and Ann Doole of the Miami-Dade Transit Agency; and Donna Fortier, Employee Discount Program Coordinator for Tri-Rail. In the Minneapolis/St. Paul area, we were fortunate to speak with Cami Zimmer of the Downtown St. Paul TMO, David Van Hattum of the Downtown Minneapolis TMO, and Patty Carlson, Manager of Metro Commuter Services. Finally, in the San Francisco Bay Area we spoke with Robert Huang, Marketing Manager of the Metropolitan Transportation Commission; Jeff Becerra, Director of Marketing and Outreach at RIDES for Bay Area Commuters; and David Nelson, Transportation Programs Manager at the Peninsula Traffic Congestion Relief Alliance. These practitioners spent many hours with us on the phone, and we are grateful for their time and generosity in sharing their insights.

We promised anonymity to the employer representatives we spoke with, and we respect that promise here. In exchange, we received a wealth of information about how employers consider, implement, and evaluate commuter benefits. We appreciate these busy human resources directors and benefits specialists taking time from their crowded schedules to speak with us about a topic that is one of dozens they handle. We spoke to employers large and small, single- and multi-site, in fields ranging from software development to interior design to city government, all of whom had valuable insights about commuter benefits programs. We hope they are reflected here.

STRATEGIES FOR INCREASING THE EFFECTIVENESS OF COMMUTER BENEFITS PROGRAMS

SUMMARY

Employer-subsidized parking is the most common transportation benefit provided in the workplace in the United States. Subsidized parking creates an incentive for employees to drive alone to work, thereby contributing to increases in traffic congestion, fuel consumption, and air pollution. The federal tax code also allows employers to provide tax-free transit and vanpool benefits to employees, referred to as "commuter benefits." The employer can directly pay for the cost of transit or vanpools, allow employees to pay for the benefit themselves using pre-tax income, or offer a combination. In either case, there are tax advantages since neither the employer nor the employee pay federal payroll or income taxes on the benefit.

Commuter benefits provide value to many different groups. Employers can improve their benefits packages, thereby assisting with employee recruitment and retention; reduce the amount they spend on parking and taxes; and enhance their image as good corporate citizens. Employees can commute to work with less expense and avoid the stress and costs of driving. Transit agencies can attract higher ridership and develop stronger relationships with customers. Local governments can achieve various goals, including reduced traffic congestion, reduced need to expand roadways, and improved air quality.

Despite these advantages, many employers do not take advantage of the flexibility they have to offer commuter benefits, and employees cannot take advantage of these programs without employer participation.

This guidebook is intended to assist transportation agencies—transit providers, metropolitan planning organizations, commuter assistance and rideshare organizations, transportation management associations, and others—to increase the effectiveness of their commuter benefits and outreach programs. It is designed to help agencies improve their commuter benefits offerings to better meet employer needs and increase participation through more effective marketing. The guidebook recommendations are based on interviews with 15 transportation agencies in 5 metropolitan areas, as well as interviews with 36 employers.

This guidebook discusses ways in which agencies can work with employers and develop regional programs that are responsive to employers' needs. Some of the main findings from the research are that agencies should

- **Know their tax basics.** A key difficulty for many employers is understanding the tax ramifications of commuter benefits. Agencies should be able to explain them clearly and offer potential financial scenarios.
- **Understand how employer characteristics affect receptivity to commuter benefits.** Not surprisingly, the greatest factor is proximity to transit and/or lack of parking, but other factors matter as well. For example, while small employers find new benefits easy to implement and employers who pride themselves on being good places to work are looking for new benefits to implement, employers with multiple locations generally find decision making complicated.
- **Be more familiar with the hurdles and legal issues employers face.** For employers, commuter benefits are a benefit and not a transportation program, and thus raise issues ranging from integrating a Section 132 plan into their existing benefits package to determining what type of program will be considered most equitable by employees.
- **Recognize that one size does not fit all.** Employers face widely varying situations and agencies must therefore approach employers with a variety of ideas and tools to assist them in developing programs. Learning about and paying attention to the numerous barriers employers face may be time-consuming in the short term, but in the long run, it pays off in satisfied employer customers and greater ridership.
- **Ensure that their voucher/pass programs are easy for employers to use.** Through lack of regional coordination or planning, agencies may have voucher or pass programs that are difficult to understand or inconvenient to use. Employers prefer "one-stop shopping," easy enrollment and payment procedures, and mailing of passes or vouchers.

This research shows that employers with a wide variety of business types, employee profiles, locations, sizes, and goals can successfully implement commuter benefits programs. Given increasing traffic congestion in metropolitan areas across the United States, emphasis in the workplace on work-life balance, and recognition of the stresses associated with driving to work, the time is ripe for these important benefits programs.

CHAPTER 1

INTRODUCTION

BACKGROUND

Driving alone contributes to high levels of traffic congestion, fuel consumption, and air pollution in metropolitan areas throughout the United States. According to the 2000 Census, approximately 76 percent of U.S. workers drove alone to work in 2000. Employer-subsidized parking encourages this behavior. It is estimated that 95 percent of employees who drive to work alone receive free parking at their work sites.[1]

The federal tax code provides incentives for employers to offer commuter benefits to employees. Under tax law, an employer may offer one or more options from a menu of commuter benefits, including

- A tax-free employer-paid commuter benefit for riding transit or vanpooling;
- A pre-tax commuter benefits program in which employees are allowed to reserve income for transit or vanpooling on a pre-tax basis; or
- A parking cash-out program, in which employees are given the option of accepting taxable income (or tax-free transit and vanpool benefits) in lieu of a free or subsidized parking space at work.

Commuter benefits programs are good for society. By providing benefits for not driving to work alone, commuter benefits programs can encourage employees to switch to transit, vanpools, and other non-drive-alone modes. Widespread adoption of commuter benefits programs that result in mode shifts away from single-occupant driving would boost transit ridership and decrease traffic congestion, air pollution, and greenhouse gas emissions.

Commuter benefits programs are also designed to be good for business. Commuter benefits programs can save employers money on parking and taxes. They can also increase employee job satisfaction and help in attracting and retaining employees.

Commuter benefits programs are good for employees. Employees can commute by transit or vanpools at a lower cost than they would if they paid the fares themselves. Many employees find this means of commuting convenient; it also saves money on auto maintenance and allows employees to avoid the stress of driving.

Despite these benefits and the tax advantages, many employers do not take advantage of the flexibility they have to offer commuter benefits. Employees can participate in commuter benefits programs only if offered by their employer. As a result, many employees are not able to take advantage of tax savings allowed under federal tax law (and in some cases, state tax law).

Key questions, therefore, are

- Why are employers not implementing commuter benefits programs? and
- What could be done to more effectively encourage employer adoption of commuter benefits programs?

PURPOSE OF THIS GUIDEBOOK

The purpose of this guidebook is to help transportation agencies increase the effectiveness of their commuter benefits and outreach programs. Specifically, the guidebook is designed to help agencies more effectively promote commuter benefits to employers and provide employers with technical assistance for setting up commuter benefits programs. It also discusses ways in which agency programs can be made more attractive to employers. Finally, it provides information on the specifics of commuter benefits tax law and regulations (including a history of commuter benefits in Appendix A, tax examples in Appendix B, and a list of states showing their tax treatment of commuter benefits in Appendix C).

The guidebook is designed for transportation agencies or organizations that promote commuter benefits to employers. Such agencies or organizations can include transit agencies, regional or local commuter assistance organizations, transportation management associations/organizations (TMAs/TMOs), and vanpool providers.

[1] Shoup, Donald C., and Mary Jane Breinholt. "Employer-Paid Parking: A Nationwide Survey of Employers' Parking Subsidy Policies." *The Full Costs and Benefits of Transportation*. Eds. David L. Greene. Donald W. Jones. Mark A. Delucchi. Heidelberg: Springer 1997, pp. 371–385.

RESEARCH APPROACH

The recommendations in this guidebook are based on a series of interviews in five metropolitan areas: Washington, DC; Boston, Massachusetts; Miami-Fort Lauderdale, Florida; Minneapolis-St. Paul, Minnesota; and the San Francisco Bay Area, California. Two groups were interviewed:

- **Transportation Agencies**. Transit agencies, commuter assistance organizations, and TMAs/TMOs were interviewed in order to learn about their programs as they relate to commuter benefits and lessons learned from working with employers. The interviews sought to determine which types of employers are most interested in benefits, what marketing strategies and messages are most effective, and what agencies believe are the barriers and incentives to offering such benefits programs.
- **Employers**. Employer interviews were used to identify the following: reasons why employers do or do not implement commuter benefits programs, factors that determine which types of programs employers implement, what barriers were encountered, and how these barriers were overcome or ultimately proved insurmountable. Employers were interviewed on the phone and through a structured focus group of human resources/benefits managers. Information was collected both from employers who had implemented commuter benefits programs and those who had considered them but chose not to implement a program.

The five metropolitan areas were selected because they represent a diversity of areas in terms of geography, size, scope of transit services, and types of employer-based commuter benefits programs offered. In total, the research team interviewed 15 transportation agencies and obtained information from 36 employers across the 5 metropolitan areas. More information about the research methods and results is available in Appendix D. (The surveys are found in Appendixes E, F, and G.)

ORGANIZATION OF THIS GUIDEBOOK

This guidebook contains six main sections:

- *Chapter 2, How Commuter Benefits Work:* Understanding the basics of how commuter benefits work is essential for any efforts to promote and assist employers. This chapter provides a primer on the underlying tax law related to commuter benefits and helping employers work through tax issues.
- *Chapter 3, Employer Characteristics That Contribute to Success:* Not all employers are alike. It will be easier for some employers to implement commuter benefits than others. This chapter discusses attributes of employers that affect their likelihood of implementing commuter benefits.
- *Chapter 4, Marketing Messages and Tactics:* Effective marketing of commuter benefits involves use of effective marketing messages and approaches. This chapter identifies ways to reach employers and employees and to send messages that resonate with this constituency.
- *Chapter 5, Understanding Employer Decision Making/Providing Technical Assistance:* This chapter focuses on employer decision making and provides guidance on how to work with an employer to establish a commuter benefits program.
- *Chapter 6, Barriers and How to Overcome Them:* Employers encounter numerous barriers that could discourage them from implementing programs. This chapter identifies key barriers and potential solutions for overcoming them.
- *Chapter 7: Developing Effective Regional Programs:* This chapter focuses on how to develop an effective agency program for promoting and delivering commuter benefits to employers. One of the key lessons is to make it simple for employers.

There are also 11 appendixes:

- *Appendix A, History of Commuter Benefits:* This appendix describes the evolution of commuter benefits since 1984. It also includes a summary of state and local legislation, as well as the complete Internal Revenue Service (IRS) section and final regulations.
- *Appendix B: Examples of Tax Calculations:* This appendix contains detailed spreadsheets showing typical tax calculations for three scenarios: employer-paid, employee-paid pre-tax, and a combination benefit.
- *Appendix C: Conforming and Nonconforming States:* This appendix contains a list of states and whether their definition of taxable income conforms to that of the federal tax code.
- *Appendix D: Study Findings:* This appendix summarizes the TCRP H-25 study findings on which this guidebook is based. It contains a description of the research methods, profiles of the five metropolitan areas, and a summary of employers interviewed, including characteristics, barriers, and reasons why some employers chose not to implement commuter benefits.
- *Appendix E: Interview Guide for Agencies:* This is the guide used by the research team to conduct telephone interviews with transportation agencies.
- *Appendix F: Survey for Employers with Commuter Benefits Programs:* This appendix contains the telephone interview guide and written survey administered to employers with commuter benefits programs.

- *Appendix G: Survey for Employers Who Have Considered But Not Implemented Commuter Benefits Programs:* This appendix contains the telephone interview guide and written survey administered to employers who have considered but not implemented commuter benefits programs.
- *Appendix H: Contact Information for Human Resources Organizations:* This contains a list of human resources organizations, with their contact information.
- *Appendix I: Regional Pass and Voucher Programs:* This appendix contains a list of regional pass and voucher programs from around the country, the agencies that administer them, and contact information.
- *Appendix J: National Third-Party Administrators:* This appendix contains a list of third-party administrators (TPA) who run commuter benefits on a contract basis for employers throughout the country. TPAs who operate only locally or regionally are not included.
- *Appendix K: Useful Web Sites:* This appendix contains a list of web sites with additional general information on commuter benefits and commuter choice.

CHAPTER 2

HOW COMMUTER BENEFITS WORK

Understanding the details of how commuter benefits work is important for any agency that wishes to promote commuter benefits and assist employers in setting up a program. This chapter explains how commuter benefits work and discusses the tax and legal issues associated with these programs.

An important point about commuter benefits should be raised here: only *employers* can provide them. Employees cannot take advantage of commuter benefits without specific action by their employer to establish a commuter benefits program. Being able to explain the benefits and tax implications to *employers* is therefore an important component of overall marketing efforts.

Appendix A provides a legislative history of federal actions, state and local legislation of importance, and copies of the tax code and regulations concerning qualified transportation fringe benefits.

QUALIFIED TRANSPORTATION FRINGE BENEFITS

Federal tax law allows employers to provide tax-free transit, vanpool, or parking benefits to employees. These benefits are known as *qualified transportation fringe benefits*, and the section of tax law that describes them is Internal Revenue Code (IRC) Section 132(f).[1] In contrast to taxable salary, the employer and employee pay no federal income or payroll taxes on these benefits.

Section 132(f) of the tax code defines the following as qualified transportation fringe benefits:

- **Transit Passes.** Transit passes include any vouchers, passes, farecards, tokens, or related items that employees can use to pay for transportation on mass transit facilities or transportation provided by a person in the business of transporting persons for compensation or hire if such transportation has a seating capacity of at least six adults (not including the driver).
- **Transportation in a Commuter Highway Vehicle.** Better known as a vanpool, the tax code defines a "commuter highway vehicle" as a vehicle that has a seating capacity of at least six adults, not including the driver; at least 80 percent of the vehicle's mileage results from trips between work and employees' homes; and during these trips, at least one-half of the vehicle's capacity must be filled (not including the driver).
- **Qualified Parking.** *Qualified parking* is defined as parking near or at the employers' place of business or parking located near or at a place where employees commute to work by mass transit, commuter highway vehicles, or carpools (for example, parking at a transit station, park-and-ride lot, or vanpool staging area).

The focus of this guidebook is on the transit and vanpool benefits, which are often simply referred to as *commuter benefits*. Parking benefits are widely recognized employee benefits: it is estimated that 95 percent of employees who drive alone to work receive free parking at work.[2] In contrast, commuter benefits are much less widespread, and these are the benefits that create incentives to reduce driving to work alone.

Tax-Free Limits

Transit and Vanpool Benefits. In 2002, the tax-free limit for transit and vanpool expenses is $100 per month (it was $65 in 2001).

Parking Benefits. In 2002, the tax-free limit for qualified parking benefits is $185 per month (it was $180 in 2001).

Tax-free limits are indexed to inflation and may rise annually in $5 per month increments.

It is worth noting that parking benefits can be combined with transit/vanpool benefits under federal tax law. An employee who pays to park at a qualified parking area (such as a transit station) and then takes mass transit or a vanpool to work can receive a combination of transit/vanpool and parking benefits.

Several employers noted the irony of a program designed to discourage drive-alone commuting that allows a higher tax-free limit for parking benefits than for transit/vanpool benefits. Some agencies also said that they do not actively market parking benefits, because their goal is to discourage

[1] The Internal Revenue Code is found in Title 26 of the United States Code (USC). See Appendix A for the text of the law.

[2] Shoup, ibid.

Key Terms

Transportation Demand Management. Transportation demand management (TDM) is a set of specific strategies that foster increased efficiency of the transportation system by influencing travel behavior by mode, time, frequency, trip length, regulation, route, or cost. TDM discourages drive-alone commuting through better management of existing transportation infrastructure, services, and resources. TDM programs may be implemented by employers, public agencies, or private organizations. An employer-based TDM program can include various elements, such as shuttles, preferred parking for carpools, or employee awards programs for commuters who do not drive alone. Public agencies and private organizations may implement broad TDM programs, such as ridematching services, high-occupancy-vehicle (HOV) lanes, public campaigns to encourage transportation options, vanpool formation assistance, or community parking charges.

Commuter Choice. Commuter Choice refers to employer-implemented TDM strategies. This term is service-marked (the public-sector equivalent of a trademark) by the U.S. Environmental Protection Agency (EPA) and Department of Transportation (DOT) to refer to a broad spectrum of employer programs to discourage employees from driving alone. These programs include transit/vanpool benefits, parking cash-out, telecommuting, flexible work schedules, employer shuttles, bicycling and carpooling incentives, and commuter awards.

Qualified Transportation Fringe Benefits. This term is used in tax legislation to refer to benefits for qualified parking, transit, and vanpool expenses (Note: tax law uses the term “commuter transportation vehicle” to refer to a vanpool).

Commuter Benefits. This term refers to transit or vanpool benefits and parking cash-out, which provide financial incentives not to drive alone.

drive-alone commuting. Any employer program that incorporates both elements will likely be unable to discourage single-occupant automobile commuting. These guidelines, therefore, emphasize the development and marketing of transit/vanpool benefits.

Options for Providing Transit/Vanpool Benefits

Transit/vanpool benefits may be offered either in addition to, or in lieu of, salary. Employers have three options of how to provide the benefit:

- **Company covers full cost of the benefit.** Employers provide employees up to $100 per month (in 2002) for transit and vanpool expenses tax-free. The employer does not incur payroll taxes on this benefit amount, and the employee does not incur federal or payroll (and in some cases, state) taxes on this amount.
- **Company offers a pre-tax benefit.** Employees may have up to $100 per month (in 2002) taken out of their pre-tax salary for commuting on transit or in vanpools. Employees save federal income and payroll taxes. Many employers prefer this option because the employee pays the cost, and the employer does not pay payroll taxes on the amount reserved by employees.
- **Employer and employee share costs.** Under this option, the employer and employee each pay a share. The employer, for example, might offer $40 per month in transit and vanpool benefits and allow the employee to reserve up to $60 per month of pre-tax salary (total tax-free benefit maximum remains $100 per month).

Although there are limits on the *tax-free* portion of a qualified transportation fringe benefit, employers may provide transit/vanpool benefits of *any* amount. The employee and employer must simply pay taxes on the value of the benefit that exceeds the statutory tax-free limit. For example, if the employer provides the employee with a monthly transit pass valued at $125, $100 is a tax-free fringe benefit, and the excess, $25, must be included in the employee’s wages for income and employment tax purposes. Similarly, if the employer offers a pre-tax salary deduction option, the employee can reserve up to $100 in pre-tax salary, even if the transit pass costs more. The employee pays the remaining cost above $100 with regular salary.

As noted above, employees cannot take advantage of these tax benefits on their own; they can participate only through an employer. Employers can set up programs in one of two ways: they can purchase transit passes or vouchers for their employees, or (under specified circumstances) they can reimburse employees the amount of their individual transit or vanpool fares on a recurring basis (see the subsection on Vouchers/Passes Versus Cash Reimbursement in this chapter for more detail). Many transit agencies and third-party voucher providers facilitate the former option by establishing employer pass programs (often at a discount) or offering a regional voucher that can be used on multiple transit or vanpool providers. These programs vary from city to city; see Chapter 7, Developing Effective Regional Programs, for more information on this topic.

How Tax Savings Work

Both employers and employees can save taxes when implementing transit/vanpool benefits.

Employers pay no payroll taxes [also known as Federal Insurance Contributions Act (FICA)] on the benefits. Employees also pay no FICA or federal income tax, and in most states, no state or local income taxes, on the benefits.

Employer Taxes: A Brief Primer

The employer does not pay payroll taxes (i.e., FICA) on transit/vanpool benefits up to the tax-free limit.

Payroll taxes have two components:

- **Social Security** taxes are 6.2% of salary, up to the first $84,900 earned (in 2002); this limit rises annually.
- **Medicare taxes** are 1.45% of total salary, with no limit.

For employees earning less than $84,900 annually, employers pay 7.65% of an employee's salary in payroll taxes. For employees earning above $84,900, employers pay $5,263.80 in Social Security taxes (6.2% of $84,900), plus 1.45% of the employee's salary.

Employees also pay these same amounts in FICA taxes from their own salary.

Employer payments to employees—whether salary or benefits—are always deductible from employer federal corporate income taxes.

Appendix B has examples of tax calculations under different types of employer programs. Appendix C has an overview of state tax treatment of commuter benefits.

Potential tax savings are summarized in Table 1.

Employer-Paid Benefits

If the employer pays for the benefit, the value of the benefit is

- Tax free to the employee and
- Not subject to payroll taxes.

As a result, employer-paid commuter benefits provide more value to employees. This is the most expensive option for an employer, because of the additional cost of providing benefits. However, as shown in Figure 1, it *is* less costly to the employer than providing an equivalent salary increase. In both cases, the cost to provide the salary or benefit is under $100 per month, because the employer saves money through deducting this cost from federal corporate income tax.

By providing a $100 per month ($1,200 per year) transit/vanpool benefit rather than a salary increase (assuming the employee earns less than the FICA wage base), the employer saves $7.65 per month, or $91.80 per year, in payroll taxes ($1,200 times 7.65 percent FICA). The employer can deduct both the commuter benefit and the salary increase as a business expense on its federal corporate income taxes.

Meanwhile, the employee saves about $500 in annual taxes compared with receiving taxable income (based on a 28-percent federal income tax, 6-percent state income tax, and 7.65-percent FICA). With taxable salary, the employee's take-home pay is reduced by over 40 percent because of taxes. In contrast, the employee receives the full $1,200 per year ($100 per month) in transit/vanpool benefits paid by the employer. To net an increase in after-tax income of $1,200 would require a salary increase of over $2,000.

Employee Pre-Tax Deduction

If the employer does not pay for the fringe benefit, but allows employees to reserve pre-tax income for transit/vanpool expenses

- The employer's payroll taxes are reduced, and
- The employee does not pay federal income, payroll, and possibly state income taxes on the amount deducted.

TABLE 1 Tax savings for employers and employees

Option	Employer Tax Benefit	Employee Tax Benefit
Employer-Paid: Employer provides employees with up to $100/month to commute via transit or vanpools.	Employer pays no payroll taxes on the value of the benefit, making providing this benefit cheaper than providing a comparable salary increase.	Employee receives up to $100/month tax-free to commute via transit or vanpool. The employee does not pay any taxes on the value of the benefit.
Employee Pre-Tax Deduction: Employer allows employees to reserve up to $100/month in pre-tax income to pay for transit or vanpools.	Employer pays no payroll taxes on the income that is reserved by the employee	Employee saves on income tax, payroll tax, and possibly state tax. The amount of the benefit is no longer treated as taxable salary.
Employee, Employer Share Costs: Employers pay transit or vanpool costs up to a certain limit and the employee pays for the remainder of the costs through a pre-tax deduction. Total employer and employee paid costs cannot exceed the monthly limits of $100/month for transit and vanpool.	For the employer-paid portion, employer pays no payroll taxes, making providing this benefit cheaper than providing a comparable salary increase. Employer saves payroll taxes on the portion of the benefit paid by the employee through pre-tax deduction.	Employee does not pay taxes on the portion of the benefit provided by the employer. Additionally, the employee saves on income tax and payroll taxes by taking a pre-tax deduction to pay for the remainder of his/her commuting costs.

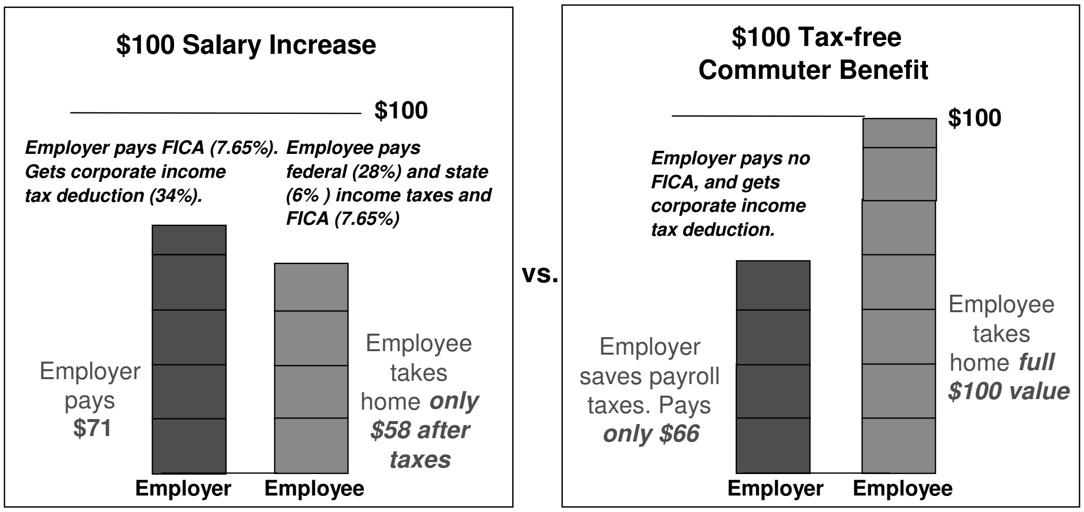

Figure 1. Comparison of taxable salary increase to tax-free commuter benefit.

Employers do not pay any FICA taxes on the amount of pre-tax income reserved by the employee. For each employee who reserves $100 per month for transit or vanpools, the employer will save $7.65 per month, or $91.80 per year, in reduced FICA taxes (assuming the employee earns less than the FICA wage base).

Employees receive more substantial tax savings. An employee in the 28-percent federal tax bracket who reduces his or her pre-tax income by $100 per month to pay for transit or vanpooling expenses could save $336 per year in federal income taxes and an additional $91.80 in payroll taxes. Employees could also save on state income taxes that piggyback on the federal tax definitions of compensations. For example, in a state with a 6-percent income tax, employees could save another $72 in taxes. In total, an employee could save around $500 each year. This reduces the real transit or vanpool cost to the employee from $100 per month to $58.35 per month, a savings of more than 40 percent.

> **Taxable and Pre-Tax Income**
>
> **Taxable income** is reported on the W-2 form and sent to the IRS. The employee has to pay all applicable taxes on that amount.
>
> **Pre-tax income** does not show up on the employee's W-2 form at the end of the year, and is not reported to IRS. Pre-tax income can be used for specific purposes, such as transit/vanpool benefits and investment plans.
>
> For example, if an employee's salary is $36,000 per year, and he can reserve $1,200 per year on a pre-tax basis for transit-vanpool costs, his W-2 form will show income of only$34,800, and he will figure his taxes based on this amount.

Employer/Employee Cost Sharing

When the tax-free limit is provided partially by both employer and employee, the employer pays no payroll taxes on either its contribution or on the pre-tax income the employee reserves. The employee receives a direct, non-taxable subsidy from the employer and pays no payroll or federal income taxes on income that is reserved on a pre-tax basis.

PARKING CASH OUT

An employer may offer a parking cash-out program in which the employee is offered the choice between a free parking space at work or additional taxable salary. For example, if an employer pays $100 to lease a parking space for an employee, the employer may give the employee the choice to retain the parking space and continue to park free or accept $100 as taxable income and forego the parking space. The amount offered to the employee is generally similar in value to the employer's cost to provide the parking, but it may be higher or lower.

A parking cash-out program is a way to provide an incentive not to drive alone to work. Employees who walk, bicycle, rideshare, or take transit can choose to accept taxable cash instead of a parking space at work.

Unlike transit/vanpool benefits, there are no tax savings under parking cash-out, because the additional income the employee receives is taxable for both the employer and the

Employer Q&As on Parking Cash Out

If I implement a parking cash-out benefit, am I required to offer the full value of the parking to my employees?

An employer may cash out a parking space in any amount. The tax code says nothing about the value of a cash-out offer.

An employer might value the cash out offer slightly below the cost of paying for a parking space to cover the cost of payroll taxes. For example, if the employer pays $150 per month per employee parking space, then the employer might offer the employee $135 per month in taxable income in lieu of the parking space. The employer's contribution to Social Security and Medicare would be about $11 on the $135 cash, for a total cost of $146. By reducing the offer to slightly below the cost of the space, the employer does not incur costs over the original cost of the space. The employer reports the $135 expense as salary to the employee, and both pay their share of federal taxes.

On the other hand, a company might cash out a space at above market rates to reduce employee parking demand, to increase customer parking, to avoid the need for expensive or time-consuming new construction, or to level the parking/non-parking playing field by offsetting the employee's tax penalty on the cash-out cash.

What happens if an employee takes the cash and continues to drive to work?

From a tax perspective, this situation creates no problem. Parking cash-out does not depend, for tax purposes, on a particular travel mode. Some employers, however, institute parking cash-out explicitly to reduce driving to work and may wish to discourage employees from taking the cash incentive and continuing to drive. In areas where parking cash-out works best at reducing driving, such as areas where parking is costly, there is unlikely to be free parking near the work site that the employee can use instead of the employer-provided parking. In other cases, employers offer parking cash out to increase employee choice and/or to reduce the need for parking on site. An employee who voluntarily begins using more distant parking may both save money and help implement the employer's objectives.

employee. Even if an employer is able to reduce the number of parking spaces it leases, a cash-out program generally will cost money for the employer because employees who previously did not drive (those who took transit, vanpools, carpools, or bicycled or walked) will receive the cash payment, even though they are not relinquishing a parking space. However, some employers with expensive leased parking may save money.

The law, however, does allow employees to receive a tax-free transit/vanpool benefit in lieu of part, or all, of the taxable cash. For example, if an employer offers a $100 cash-out for a parking space, an employee who decides to switch from driving to transit can take the $100 cash-out as a tax-free transit/vanpool benefit. Any employee who decides to switch from driving to bicycling can take the $100 cash-out as $100 of taxable cash.

TAX AND LEGAL ISSUES FOR EMPLOYERS

While the programs described above may seem relatively straightforward, various tax and legal issues complicate matters for employers. Agencies should be familiar with the laws and regulations and encourage employers to do the same. Specific issues and sources of confusion are discussed below.

Section 125 Versus Section 132 Benefits Plans

Commuter benefit programs operate under a separate section of the IRC—Section 132—than most other pre-tax benefit programs with which employers are familiar. Medical savings accounts and other employee benefit plans are covered by Section 125 of the IRC.

Section 132 plans are far more flexible than Section 125 plans. Section 125 plans require federal reporting, plan documentation, nondiscrimination testing, and the forfeiture of any money remaining in a Flexible Spending Account (FSA) at the end of the year. In contrast, IRC Section 132 plans (which include provisions for education as well as transportation) do not require written plans or reporting. There is no "use-it-or-lose-it" provision, as with FSAs. Under Section 132 plans, an employer also can choose how often to allow employees to make elections, whereas they are restricted under Section 125 to annual open enrollment (with a few specific exceptions).

However, for employers accustomed to managing Section 125 plans, the different regulations for Section 132 plans may be a source of confusion because the two plans operate under distinctly different set of rules, and employers cannot combine them.

The differences in how the plans operate are outlined in Table 2.

Commuter Benefits Provide Tax Advantages, Not a Tax Credit

It is important to emphasize that commuter benefits have tax advantages because they are not subject to federal income and payroll taxes (and sometimes state and local income taxes). The commuter benefits program is *not* a federal tax credit, and employers do not need to file any special tax forms to achieve the tax savings. This is an important point, since some employers may have heard about the federal tax law creating incentives to offer commuter benefits and confuse this with a federal tax credit. Some states, however, offer state tax credits (see Appendix A under State and Local Legislation for further information), and some localities also provide financial incentives for employers who offer employer-

TABLE 2 Comparison of Section 125 and Section 132 benefits plans

Characteristic	Section 125 Plans	Section 132 Plans
Enrollment period	Must be annual	Determined by employer
Reimbursement period	Employee can be reimbursed the full amount of one year's reserved income at any time during the year.	Employee can be reimbursed only the amount that has been reserved within a given period.
Distribution of pre-tax income remaining at end of enrollment period	Employee forfeits money (commonly known as "use-it-or-lose-it").	No "use-it-or-lose-it" provision.
Employee eligibility	Must meet nondiscrimination test	May be made available to any employee or groups of employees
Reporting requirements	Annual reporting required	No reporting requirements
Plan documentation	Written plan documentation required	No written plan documentation required

paid commuter benefits. Transportation agency staff should be familiar with any such local and state incentives.

Eligibility and Enrollment

All employees or groups of employees can be offered transit/vanpool benefits. However, under tax law, not everyone who works at a given work place is considered an employee. The law specifically states that individuals who are self-employed—which include sole proprietors, partners, persons who hold over 2 percent ownership in an S corporation, and contractors—are not eligible to receive commuter benefits. They may, however, receive transit passes or vanpool benefits as *de minimis* benefits.

The *de minimis* (which means "of little value") regulations allow these individuals to receive tax-free commuter benefits of only up to $21 per month. If they receive a higher amount, the *entire* amount is considered taxable income. (The official IRS ruling on this topic can be found under Question 24 of the regulation which is in Appendix A.)

Unlike some other benefits programs, the commuter benefits law provides employers the discretion to choose which employees are offered the benefit. In addition, the amount of the benefit can vary from employee to employee. This means that an employer could offer the benefit at a site well served by transit or with a strong vanpool program, but not at other sites.

If an employer provides transit passes in advance, and the employee either drops out of the program or leaves employment, then the unused amount is subject to income tax, but not to payroll taxes. However, employers cannot distribute advance transit passes if they know that the employee will leave on a certain date; the remaining amount is subject to both income and payroll tax, just like any other income.

Passes/Vouchers Versus Cash Reimbursement

Employers must decide *how* to implement a transit/vanpool or parking benefit. There are two ways in which the benefit can be provided to employees, regardless of whether the employer or employee pays: passes/vouchers or a bona fide cash reimbursement arrangement.

Employer Q&As on Transit/Vanpool Benefits

Do commuter benefits programs require written plans?

Employers are not required to submit a written plan to the IRS. However, a company is well advised to have certain written rules in order to answer employee questions and describe how the commuter benefits program operates. For example, an employer could write a plan that describes

- Which employees are eligible to receive transportation fringe benefits;
- What benefits will be provided by the company; and
- The procedure for enrolling in and discontinuing participation in the benefits program.

The company should not submit this plan to the IRS, but should make the plan available to employees.

Employers who use cash reimbursement (subject to IRS rules) must collect receipts and/or other certification from employees.

Do transit passes need to be distributed monthly? What if I want to provide my employees with annual transit passes?

Transit passes may be distributed up to 12 months in advance. If the pass is valid for more than 1 month, (for example, an annual pass), the value of the pass may be divided by the number of months for which it is valid to determine whether the value of the pass exceeds the $100 monthly limit.

Passes or Vouchers

The most common way of distributing transit/vanpool benefits is through transit passes or vouchers. Typically, an employer will purchase passes or vouchers and distribute them directly to employees, or use a third-party benefits administrator (discussed in Chapter 6) to distribute the passes or vouchers.

- **Passes** are typically available from an individual transit agency, regional consortium, or vanpool provider and are used for direct service on a system. In many areas of the country, transit agencies have developed special corporate/employer pass programs that are specifically geared to employers.
- **Vouchers** are accepted by multiple transit or vanpool service providers. The employee uses the voucher to purchase fare media (e.g., a monthly transit pass) from an individual transit or vanpool provider in the region.

Although there are exceptions, vouchers are generally provided by for-profit firms, which enter into arrangements with transit providers to accept vouchers for fare media payment. Vouchers are usually available in several denominations, tied to the prevailing transit fares in the area. Employees cannot get cash back from purchases, but they can add their own money to buy fare media. An example: an employee receives a $30 voucher. If she or he buys a regular monthly bus pass for $25, she or he loses $5. However, if she or he buys a monthly bus pass for $25 and a 10-ride train ticket for $15, she or he can use the voucher plus $10 of her or his own money. Therefore, most employers prefer to purchase vouchers at the same value as the pass used most often, or slightly under.

Voucher programs are particularly useful in metropolitan areas with multiple transit and vanpool service providers; in those cases, an employer only has to distribute one type of voucher to all employees rather than different types of transit or vanpool passes. Several employers interviewed about their participation in voucher programs commented favorably on their ease of use, and, in particular, the fact that vouchers generally have long validity periods (for example, 13 months).

Table 3 compares pass and voucher programs.

Typically, the employer would use whatever program is most readily available in a region. Some regions, however, have both types of programs, in which case the employer can choose between them. In these cases, the employer's decision about whether to distribute passes or vouchers may depend on whether or not most employees use one transit service provider (in which case, it may be beneficial to simply distribute passes) and whether the employer has work sites in other cities where vouchers may also be accepted. A list of regional voucher and pass programs is provided in Appendix I.

Cash Reimbursement and the One-Percent Rule

Under bona fide cash reimbursement programs, employers allow their employees to purchase their own transit passes or pay for their own vanpool fares and request reimbursement. Employees reserve pre-tax salary through paycheck deduction, purchase a transit pass (or other fare media, or pay for vanpool charges), and request reimbursement from their own reserved salary. Some employers prefer cash reimbursement since it means that they do not need to purchase and distribute transit fare media.

Restrictions on Use of Cash Reimbursement

There are substantial restrictions on when an employer can legally use cash reimbursement. The IRC states that cash reimbursement for any transit pass is *only* allowed if a pass or voucher (or similar item that may be exchanged only for a transit pass) is "*not readily available.*" Thus, if vouchers are readily available, the employer *must* use vouchers (or passes), and cash reimbursement of a transit expense is *not* allowed as a qualified transportation fringe benefit.

IRS regulations published in January 2001 clarified the definition of "readily available." According to these regulations, vouchers are considered "readily available" *unless* one of the following two conditions applies:

TABLE 3 Comparison of pass and voucher programs

Issue	Pass Programs	Voucher Programs
Provider	Provided by transit agency or regional consortium	Generally, but not always, provided by for-profit firm
Fees	May have administrative fees and handling charges	Generally have administrative fees and handling charge
Validity	Generally monthly, although some agencies provide annual passes	Long period of validity (often 13 months)
Employee ease of use	Employee can use pass directly on transit provided	Employee uses vouchers to purchase fare media
Employer ease of use	Tends to work best in areas with only one major transit provider; otherwise, employer has to work with multiple vendors, which increases administrative burden	Vouchers are important in areas with multiple transit providers, because employers can deal with one vendor. Some voucher providers offer service in more than one area.

- **The "One-Percent" Rule.** If fees charged by a transit voucher provider exceed 1 percent of the average annual value of the vouchers (excluding per order delivery charges of under $15).
- **Non-Financial Restrictions.** If there are non-financial restrictions on vouchers that make voucher use inappropriate for particular companies. Some examples include
  - Advance purchase requirements that make vouchers not available at regular intervals (e.g., 1 year),
  - Minimum purchase requirements (e.g., a company wants to buy $200 worth of vouchers, but the minimum requirement is $1,000),
  - Limits on the denominations (e.g., a company wants $40 in vouchers for each employee, but they are only available in denominations of $60), and
  - Situations in which the voucher provider does not give vouchers to the employers within a reasonable period after receiving payment.

Employers *cannot* consider internal costs (e.g., distribution costs) in claiming that vouchers are not readily available. Examples of these *unallowable* employer costs include expenses to distribute the vouchers (i.e., if the employer chooses to mail vouchers to employees, the postal fee cannot be considered); any additional security measures that must be taken to safeguard the vouchers; expenses incurred to advertise the provision of transit vouchers; and so forth. Failure to conform to the One-Percent Rule can result in the taxability of benefits to the employees.

The One-Percent Rule takes effect on January 1, 2004. The phrase "readily available" was not defined in the previous regulations. It was intended that the delayed application of the rule would provide sufficient time for those affected to modify their systems and procedures appropriately. Therefore, employers who are currently using cash reimbursement will have to change to a voucher or pass program in 2004 if the vouchers or passes are "readily available." This issue may become increasingly problematic, since some employers do not conform to the new standard and are not aware of the full ramifications of the One-Percent Rule.

The purpose of the new "readily available" definition was to encourage the use of vouchers and passes and to reduce the potential for tax fraud. Transportation agencies may want to re-examine their own programs to see if they meet employers' needs, since after 2004 those employers who prefer cash reimbursement may discontinue their programs entirely unless they perceive the voucher or pass option to be equally simple to administer.

Example: How the One-Percent Rule Works

Acme Corporation would like to provide a transit benefit up to $60 per month to all employees who commute to work via subway. The local TMA charges a 0.5% fee for providing passes to employers. Because Acme does not have a central location where passes can be picked up, it will have to distribute the passes by sending them to employees via regular mail on a monthly basis. This will cost the company approximately $1,000 per year in postal fees, in addition to the cost of having a human resources employee prepare the envelopes, bring them to the post office, etc.

To save money, Acme would prefer to provide cash reimbursements to employees rather than distribute the passes each month. However, the "one-percent" rule does not give Acme this option. The only cost that Acme can take into consideration when deciding how to distribute the passes is how much the TMA charges for the vouchers. In this case, the passes are considered "readily available" because the TMA charges less than one percent and therefore, Acme must purchase the vouchers instead of providing a cash payment. The cost of distributing the passes via mail and personnel costs cannot be considered.

Cash Reimbursement Requirements

Employers that make cash reimbursements must establish a bona fide reimbursement arrangement to establish that their employees have, in fact, incurred expenses for vanpools, transit passes, or qualified parking. The expense must be substantiated within a reasonable period of time (within 180 days). If receipts are not available, the employer can require that employees certify when they request reimbursement that they have purchased fare media for their own use. This certification can be in either written or electronic form. Employers do not need to submit these receipts or certifications to the IRS, but they should retain such receipts and certifications in their files.

Employer Preferences

Employers tend to choose the program that is the least burdensome to administer, and this decision is usually based on their own experiences and existing programs. For example, small to medium-sized employers often find it simplest to distribute transit passes or vouchers to employees. However, very large employers may view distribution as a problem and be more interested in cash reimbursement.

Employers who already use cash reimbursement systems for other benefits programs (for example, medical flexible savings accounts) find them fairly straightforward to administer. They may also be the preferred method for employers who are not familiar with all the pass or voucher programs available in their areas. However, others tend to think cash reimbursement will be too complicated due to the paperwork and substantiation requirements.

Cash flow procedures differ between use of passes/vouchers and cash reimbursement. If using passes/vouchers, the employer writes a check every period (generally monthly or quarterly) to the voucher provider and earns the money back via employees' deductions throughout the rest of the period. Cash reimbursement eliminates this cash flow for the employer, because employees purchase vouchers or passes with their own money.

In contrast, cash reimbursement may create more of a cash flow strain on employees. The cash reimbursement process under Section 132 requires that employers withhold money from an employee's paycheck every month. For example, if an employee requests $50 monthly withholding, the employer will withhold $25 per paycheck if the employee is paid twice monthly. The employee then buys a $50 pass and submits proof of payment to be reimbursed. Only after *both* the withholding and the pass purchase can the employee file a claim to be reimbursed the $50 in pre-tax dollars that was previously withheld.

The employee ultimately pays less for the pass, since the reimbursed money is entirely tax-free. Some employees, however, feel that they have paid twice: once when the money was withheld and a second time when buying the transit pass. Because Section 132 plan rules do not allow employees to receive their own pre-tax money until they have bought the transit pass (i.e., the reimbursement has to be legitimate, not just in anticipation of buying the pass), this cycle continues every month. To avoid these issues, some employers have required employees to pre-pay for their passes or vouchers; for example, having pre-tax income withheld in March to purchase a monthly pass for April.

Employers must be made aware that simply because distribution may be difficult, this has no bearing on whether cash reimbursement is allowed. Only if vouchers are not "readily available" can cash reimbursement be used. If distribution is a problem, third-party benefits administrators could be used to distribute passes or vouchers in locations where vouchers and/or passes are readily available.

Key differences between the two types of programs are summarized in Table 4.

TABLE 4 Comparison of vouchers/passes and cash reimbursement (pre-tax)

Issue	Vouchers/Passes	Cash Reimbursement
Cash flow	Puts initial burden on employer – The employer must write a check every period to the voucher provider, and earn the money back via employees' deductions throughout the rest of the period.	Puts initial burden on employee – The employer withholds money from an employee's paycheck every month. The employee then buys a pass and submits proof of payment to be reimbursed.
Distribution	Voucher and pass providers generally send one package, leaving the internal distribution to the employer. (However, third-party benefits administrators can be used to distribute passes/vouchers.)	No passes or vouchers are distributed by the employer.
Employer ease of use	No paperwork is required except for any procedures to order vouchers/passes. However, employers with worksites in different regions may have to purchase vouchers from more than one provider.	Employees must submit paperwork monthly for reimbursement, which can be cumbersome for some employers.
Employee ease of use	Employee picks up pass from employer or is mailed pass.	Employee must submit substantiation (receipts or employee certification) for transit, vanpool, or qualified parking expense.
Potential for fraud	Less susceptible to fraud – Employees must use fare media or vouchers for transit. However, it is possible for employees to allow friends or family to use the vouchers or passes, or to request cash refunds from transit providers, and continue driving.	More susceptible to fraud – Because many transit pass purchases do not provide a receipt, the employer often has no direct proof that an employee has purchased a pass. Employers in this situation have to rely on employees' statements that they are purchasing passes and riding transit.

CHAPTER 3

EMPLOYER CHARACTERISTICS THAT CONTRIBUTE TO SUCCESS

Before attempting to market commuter benefits to employers, it is helpful to understand what types of employers will be most receptive to implementing a commuter benefits program. That way, the agency can focus its resources on getting the most value by targeting employers most likely to implement commuter benefits programs.

Convincing an employer to implement a commuter benefits program can be time consuming, and not all employers are alike. Experience with commuter benefits programs across the nation suggests that the characteristics discussed in the sections below are important.

LOCATION: NEAR HIGH-QUALITY TRANSIT

It is no surprise that the employers most interested in commuter benefits are those whose employees can or do ride transit. In fact, probably the most important factor affecting an employer's consideration of commuter benefits is work site location. Employers located near high-quality transit are likely to see the potential for commuter benefits as a valuable benefit for employees. Although there is no single definition of "high-quality" transit, some elements would include frequent and reliable service, ease of access, available capacity (i.e., not already overcrowded), cleanliness and safety, and other "user-friendly" traits such as good signage and comfortable waiting areas.

Given this situation, downtown employers are strong targets for providing commuter benefits because downtowns tend to have high concentrations of transit and land uses that support transit use. It is important to recognize, however, that downtowns are not the only market for commuter benefits. Any area with high-quality transit could be a good market. Suburban employers located near a rail station or with good bus service are also likely to consider the benefits. Moreover, high-quality transit is not limited to subway or light rail. Although most agencies in metro areas served by both bus and rail thought that employers on rail lines were more likely to implement commuter benefits, employers well served by buses are an important market. Metropolitan areas with bus-only systems, such as Minneapolis-St. Paul, have achieved high levels of participation in employer pass programs.

Employer sites that are served by only limited (e.g., four times daily or hourly) service are generally not strong candidates for commuter benefits. These sites are unlikely to see transit as a viable alternative to driving and the employer will be significantly less interested in devoting the time to set up a program if few or no participants are expected.

EMPLOYEES: CURRENT TRANSIT OR VANPOOL USERS

Employers with major vanpool programs may be interested in commuter benefits, and employers with significant numbers of transit riders, even if not well served by transit, may be receptive.

Although the market for commuter benefits is often viewed primarily as white-collar office workers, a wide range of different types of employers can implement commuter benefits. There is no one specific "type" of employee environment that is most conducive to transit/vanpool benefits, as long as the commuting options are available. For example, service and retail employees may constitute an excellent market. Lower paid employees are also generally more likely to ride transit.

Several agencies noted that companies whose employees work conventional (9-to-5, weekday) schedules are far more likely to adopt commuter benefits than those with very long hours or shiftwork. This is because transit service tends to be the most frequent during peak hours, and employees with regular schedules can use transit more easily. Finally, jobs that require use of a vehicle during the day, such as sales or deliveries, are unlikely to be receptive to commuter benefits.

EMPLOYER SITUATION: SEEING VALUE IN COMMUTER BENEFITS

A key factor that influences the likelihood of an employer considering commuter benefits is whether or not the employer sees potential value in the program. Factors that make an employer more likely to implement commuter benefits include

- **"Employee-friendly" employers.** Corporate culture and the level of benefits currently provided to employees may be a predictor of participation. Employers that place a premium on offering a comprehensive benefits package are likely to be more interested in commuter benefits than employers who generally provide only the bare minimum. Employee-friendly employers are often more open to expanding or adapting their benefits package and interested in finding out about options to set them apart from other employers.

However, no conclusive data are available to this effect (and in fact, research conducted for this study did not support this statistically: employers with commuter benefits were no more likely than employers in general to have other "progressive" benefits such as tuition reimbursement or medical savings accounts). Still, several employers who participated in a focus group agreed that they place a high value on having a comprehensive benefits package.

- **Environmentally minded employers.** Employers who have a strong environmental commitment are generally receptive to this message. However, the majority of employers are not particularly motivated by environmental concerns.
- **Employers with severe or complicated parking problems.** In particular, hospitals, universities, hotels, and airports tend to fit this category; all have regular employees and visitors throughout the day, not simply "9-to-5." In addition, these employers often want to free employee parking to provide additional parking to paying visitors.
- **Employers who are relocating.** Employers think about commuting issues as they face relocation, providing an opportunity for transportation agencies to promote commuter benefits. Several employers said that they had specifically adopted programs because their offices were moving and they saw offering commuter benefits as a way to ease the difficulty of relocation. Commuter benefits may also help retain employees might consider leaving if their commutes lengthened because of a move.

Case Study: CALIBRE Moves to Transit-Friendly Location

CALIBRE, a management analysis and IT solutions firm in Alexandria, VA, consolidated its two worksites and, in the process, changed its employees' commutes. The old locations had abundant employer-provided parking, but did not offer easy access to public transportation. After completing a corporate needs assessment and mapping employees' home locations, CALIBRE chose a new corporate headquarters an 8-minute walk from a subway and commuter train station, but with constrained employee parking. To reduce parking demands, CALIBRE began offering $65 in monthly parking cash out ($32.50 to carpooling employees). To help those taking public transportation, CALIBRE also starting paying $65 a month in transit/vanpool benefits. Additionally, a free transit station shuttle that runs throughout the day is available to employees. When the program began in spring 2001, there was initial interest, but many employees took a "wait and see" approach and did not enroll. After 6 months, the program grew to include more than 9 percent of eligible employees and saw increased participation each month.

EMPLOYER SIZE: UNDERSTANDING THE TRADEOFFS

In terms of employer size, it is important to recognize the tradeoffs. In some ways, medium-size to large employers (about 100 employees or more) are a natural target for marketing efforts on commuter benefits. Employers of this size often have a benefits or "work life" manager, who serves as a good point of contact and may champion the idea. Large employers also create a large employee market for the product, so landing a large employer can bring increased participation and attention to a commuter benefits program. Chapter 6 addresses in more depth the barriers faced by large employers.

On the other hand, small employers often seem to be more willing to implement commuter benefits because

- Small employers have fewer layers of decision-making authority, so it is easier for them to decide to add a new benefit than it is for a larger employer, where several parties may be involved;
- Small employers are less likely to have multiple worksites, which is a complicating factor; and
- Small employers face lower overall costs in terms of administering the program and the actual outlay for fare media.

In essence, agencies must make tradeoffs prioritizing which employers to target for promoting commuter benefits. Small employers may be easier to work with, but they only bring in a small number of participants individually. Large employers take longer to implement a program, but they have the potential to bring in many customers. There is no clear consensus on the overall cost-effectiveness of targeting small versus large employers.

EMPLOYERS UNABLE TO MAKE A DECISION

Some employers simply may not be in a position to make a decision about commuter benefits at the current time. This is particularly true for

- Employers facing financial problems or mergers and
- Employers with key positions unfilled (e.g., human resources or benefits manager).

These employers simply may not be able to implement commuter benefits at the current time, and it will probably be unproductive to spend time to encourage these employers to adopt a program. It would be better to follow up later when things have settled down and the company is in a better position to think about adding a new benefit.

CHAPTER 4

MARKETING MESSAGES AND TACTICS

Effective marketing of commuter benefits requires understanding effective messages and approaches for reaching employers. Although workers are the end users of commuter benefits, the ultimate audience for the message about commuter benefits is employers, since employees can take advantage of commuter benefits only through employer-implemented programs.

A "push-pull" strategy has been found to be effective for this purpose:

- Marketing to employees raises general awareness of the commuter benefits program and helps to get employees to "push" their employers to consider offering the benefit;
- Marketing directly to employers serves to "pull" the employers along by convincing them that implementing a program is a good idea.

Approaches to working with both employees and employers are described in the sections below.

MARKETING TO THE GENERAL PUBLIC AND TRANSIT USERS

In general, the agencies interviewed all spent far more time promoting commuter benefits to employers than to the general public, in large part because employers have to adopt programs before their employees can participate. However, there were some creative ideas about how and why to reach the general public:

- **"Bug your boss" campaigns.** Several agencies had initiated successful campaigns whose message to employees was, "Ask your boss about commuter benefits." The aim of these campaigns is twofold: to raise awareness among the working public about the existence of commuter benefits and to create demand within employers to learn more about commuter benefits programs. Such campaigns were usually conducted in conjunction with the introduction of a regional voucher/pass program.
- **Let the public know when programs change.** Major changes in either the regional voucher/pass program or the federal regulations (such as the increase in the tax-free limit from $65 to $100) are good times for a public information campaign.
- **Means of advertising: station/vehicle advertising, radio, newspaper inserts.** The most popular form of advertising, because of both the commuters it reaches and the relatively low cost, is station and vehicle advertising. One agency that markets vanpools said their most effective advertising is the agency's phone number written boldly on their vans. Far fewer agencies use broadcast advertising, because of the prohibitive cost, although radio ads tend to cost less than television and "drive-time" ads can directly appeal to commuters stuck in traffic. Newspaper advertising was not common; one agency that represents a local jurisdiction pointed out that the rates for the major regional paper were too high and that the local paper's circulation was not large enough. However, one agency did use a creative newspaper insert resembling a yellow Post-it® Note.

MARKETING TO EMPLOYERS

Marketing to employers typically involves two components:

- General advertising that raises awareness about the commuter benefits program and its advantages (through paid media); and
- Direct one-on-one marketing through a sales force or employer marketing team that works with employers to convince them of the value of a program and helps them to set one up.

Agencies involved in employer marketing agree that the most effective method is one-on-one contact with employers. Employers have such a wide variety of challenges and programs that it is virtually impossible to develop one or two marketing pieces that appeal to all employers or address all potential challenges.

A challenge to those promoting commuter benefits is how difficult it is to reach the decision maker at any given employer. At large employer sites, there is often no single decision maker to reach; rather the decision and subsequent implementation programs are hammered out over a period of time between departments: human resources (HR), payroll, information technology, management, legal, environmental, and transportation. Patience and persistence are important; adding new benefits is not usually an employer's top priority.

Small employers tend to need information, while large employers need sustained assistance and follow-up. Small employers are able to implement new programs quickly once upper management is "on board," because they have fewer decisions to make and fewer people to involve in decision making. Large employers, on the other hand, tend to require far more assistance. Often their situations do not lend themselves to simple commuter benefits programs. Agencies should spend more time with these clients, lending support, making presentations if necessary, and providing suggestions on developing a program.

Agencies contact and communicate with employers in various ways. Some recommendations are as follows:

- **Develop partnerships with business groups to reach employers.** Partnerships with business organizations, chambers of commerce, human resource organizations, and within the local TDM community (such as with local TMAs, rideshare organizations, etc.) can help open doors to a large number of employers. Employers are often members in these organizations and participate in events. Local chapters of national human resources organizations may be very helpful. A list of national organizations is provided in Appendix H.
- **Target advertising to employers.** Most agencies maintain extensive databases of employers and use them as a basis for mailings or "blast" e-mails with updates or information.
- **Create marketing materials that "speak employers' language."** Marketing materials should be written specifically for a business audience, with a high level of professionalism and design. They should include local reference information and be updated as frequently as necessary.
- **Maintain a good web site.** All of the agencies interviewed had web sites. Web sites should have good links both outside (i.e., who can link to your site?) and inside (does it link to other useful sites?).

Case Study: RIDES for Bay Area Commuters and Employer Outreach

RIDES for Bay Area Commuters (RIDES) is a private, non-profit commuter assistance organization with a contract from the metropolitan planning organization (MPO) to conduct employer outreach for all commute alternatives in the nine-county San Francisco Bay Area. RIDES has a staff of seven working on employer outreach: a director, a marketing manager, four account representatives, and one regional promotions coordinator. RIDES maintains an employer database of 5,000 employers and sends them a quarterly mailing (one of which is a survey to ensure that information is kept updated). Employers can participate in RIDES workshops, which are occasional meetings held on particular topics throughout the Bay Area, or network meetings, held quarterly at RIDES' Oakland office.

Although many employers find RIDES through word of mouth or via local organizations such as chambers of commerce, RIDES also does occasional cold-calling, especially to targeted locations (for example, a new business park). They also participate in transportation fairs, but they do no mass market advertising due to budget constraints.

Finding the Right Person

Locating the right person within an employer can be challenging. Often there is no one "right" person, particularly for large employers, because the decision to implement commuter benefits may involve a number of departments. However, the following suggestions may be of use:

- **At larger employers, the best person is generally the Human Resources Manager.** An HR manager is generally the person most likely to raise the possibility of adding a new benefit, even if the ultimate implementation and administration is done by a benefits or payroll specialist. At a few large employers, a program may be administered by the facilities coordinator, with responsibility for maintaining parking. At universities, in addition to an HR department, generally there is a parking and transportation division that implements transportation policies.
- **At smaller employers, target upper management.** At small employers, the idea to implement commuter benefits often comes from upper management. At such employers, it can make more sense to market to company owners, managing partners, chief executive officers (CEOs) or partners. They can make a decision quickly, since there are fewer separate departments involved and fewer implementation decisions.
- **Identify a potential "champion."** Many agencies reported that the presence of a "champion," meaning a person who supports the idea of commuter benefits and works to keep the project moving forward, is key in winning support. Of course, a "champion" is not an official position, but if a person contacted shows enthusiasm for the idea, it may be worth working with that person regardless of his/her official position within the company. Champions are generally transit or vanpool users themselves and can, therefore, serve as advocates for non-automobile commuting.
- **Update contact lists frequently.** Contacts within an employer may change often with job turnover. Agencies should make a special effort to keep their lists updated.

Selling the Benefits

Once the employer and the right person have been identified, it is important to talk about commuter benefits in such a way that interests the particular employer. Not all employers have the same interests or problems; indeed, many employers probably either do not see how their policies encourage solo driving, or do not think of it as a problem. (One agency characterized this issue as, "Selling the unwanted to the unaware.") Suggestions for selling the idea of commuter benefits include

- **Presenting the issue as an employee problem that employers can help solve.** Some agencies' marketing materials emphasize the stress and exhaustion associated with employees' daily commute. Driving may make employees less productive and likely to look for work elsewhere. Employers can help employees eliminate the stress of fighting traffic by making it cheaper for them to ride transit or vanpools, which results in more productive employees.
- **Identifying what matters to employers.** Employers are motivated by different factors—a good marketer will emphasize those aspects of commuter benefits that appeal to the individual employer and state these benefits in business language. According to the research, the most commonly cited reasons for implementing commuter benefits are (1) encouraging transit/vanpool use, (2) recruitment and retention of employees, and (3) the fact that commuter benefits are low-cost benefits.

Potential marketing messages include the following:

- **Commuter benefits reduce the need for parking.** If an employer has a parking shortage, due to either rapid growth or external parking restrictions, the ability to decrease the demand for parking may be a large enticement to offer commuter benefits. For some employers, this may reduce employees' frustration with limited parking; for some with severe problems, this may save a considerable amount of money if it eliminates the need to purchase or lease additional parking spaces. If employers need to reduce parking demand because of trip reduction regulations, commuter benefits may allow them to achieve their targets without any other incentives. Generally, employer-paid benefits will promote this goal better than pre-tax benefits, since employees are more likely to change modes with employer-paid benefits.
- **Commuter benefits are an aspect of good corporate citizenship.** In areas with increasing congestion and air quality problems, employers can be good corporate citizens by encouraging their employees not to drive. (Several employers interviewed in the Minneapolis/St. Paul area specifically named this as a primary reason for starting their programs.)
- **Commuter benefits help the environment.** The research showed that the majority of employers do not respond to environmental messages, but for those that do this is an important concern. Commuter benefits are a simple, concrete step that employers can take to improve air quality, reduce fossil fuel use, and reduce greenhouse gases.
- **Commuter benefits aid recruitment and retention efforts.** When employers are competing for workers in a strong economy, any additional or unusual benefits can help them recruit and retain good employees. Several employers mentioned during the interviews that commuter benefits helped make them "employers of choice" and set them apart from other employers. HR and benefits managers are usually keenly interested in what other employers in similar fields are offering their employees in the way of benefits.
- **Commuter benefits are low cost compared with other benefits.** Compared with other widespread benefits such as health insurance, commuter benefits are fairly inexpensive for employers. This is especially true for pre-tax benefits, which entail only administrative costs.

Case Study: Arlington Transportation Partners and Business-Oriented Marketing

Arlington Transportation Partners (ATP), the employer services division of the Arlington County (VA) Commuter Assistance Program, uses a business-oriented and technology-driven approach to reach employers. Their philosophy is that commuter benefits must be able to hold their own in the marketplace through superior communications and convenient services. Outreach staff use three main sales and support tools:

Commuter Benefits Resource Guide—a print sales kit listing commuting-related business problems and solutions, potential levels of participation, case studies of business benefits and management quotes, employer sign-up sheets and worksheets.

Commuter Choice: Where Commuting Means Business—a CD-ROM and Internet communications system that packages Commuter Choice with multimedia sales presentations for management, HR, and commuters, a detailed Guidebook, and a comprehensive resource of all transportation options in the region, including links to all transportation Web sites and online sign-up and service delivery options. Multimedia presentations can be customized for different audiences.

CommuterDirect Corporate Services—an automated online system for easy administration of the commuter benefits by employers, including direct delivery of tickets to commuters by mail and automatic monthly renewal or easy online adjustment of the ticket order. (This service was added since the original interview took place.)

Case Study: Commuter Choice Leadership Initiative

The U.S. EPA and the U.S. DOT have established a voluntary National Standard of Excellence for employer commuter programs. Participants in the Commuter Choice Leadership Initiative (CCLI) agree to meet this standard—which includes providing a financial incentive to employees, as well as other supporting services—and in return can use the term “Commuter Choice Employer.” Transportation agencies promoting commuter benefits may want to tell employers about the potential for national recognition through CCLI. For more information on CCLI, see www.commuterchoice.gov.

- **Commuter benefits *may* provide tax savings.** Emphasizing employers’ tax savings may or may not be an effective marketing message. More than one-half of employers interviewed for this project did not experience any net savings, because the tax savings are offset by the administrative costs of maintaining the benefit. However, a minority of employers found tax savings substantial enough to re-invest in the program. Whether a company finds commuter benefits programs to be a savings, to be a cost, or to come out even, depends not only on whether the company provides an employer-paid benefit (which is always a cost to the employer) but how much time and money its administration takes and the total number of employees taking advantage of the benefit. If the employees pay with pre-tax income, a typical employer will save less than $7.65 monthly per participating employee. While this is a savings, for most employers it is not a windfall.

Agencies should be careful about representing potential savings accurately and fairly. Several employers noted that they received marketing materials with the phrase “free transit,” when of course it is free to the employee only when the employer incurs a cost. This tends to turn some employers off. For example, one employer told us that the program “. . . gets marketed too often as, ‘it will cost you nothing, and it saves you all this money,’ and that is not always true. There are costs. They are not huge, but they all have to be budgeted somewhere.” While agencies should avoid selling commuter benefits programs as “free,” they should also bear in mind that employers are concerned with costs and appreciate information on the topic. For example, agencies could prepare several case studies showing employers how costs vary depending on the type of program selected.

Maintaining Employer Contacts

Maintaining contact with participating employers is almost as important as working with new employers. Agencies should keep in touch with their employer contacts to track contact turnover and ensure that programs continue despite staffing changes. Agencies can also keep employers updated with occasional mailings (either written or electronic), by sponsoring workshops and networking events, and by making presentations at transportation fairs or other related events.

Another important reason to maintain visibility with employers is that commuter benefits programs may lose participation without frequent promotion. Although employers tend to include information about commuter benefits in new employee orientations, employees who do not initially sign up for commuter benefits may wish to take advantage of them later, for several reasons:

- Commuter benefits may start out as something unusual that only a few employees initially take advantage of, but, through word of mouth, the benefits may become more popular. Employees who would not initially consider riding transit or vanpools may hear positive word-of-mouth from colleagues about the program and sign up later.
- Employees move, so their commute patterns change. After moving, an employee who drove alone may find himself or herself able to ride transit or a vanpool. Such employees will be more likely to consider this option if they have heard regular messages about the employer’s commuter benefits program.
- Employers move, so transit and vanpool use may become far more likely. Some employers even increase their level of commuter benefits after a move, to ensure that employees are not financially disadvantaged by commuting to a new location. An employer move is an excellent time for a major promotion event.

Agencies should appreciate the importance of recognizing employers with good programs as well as the employees who participate in them. Some examples of recognition include regional commuter awards programs and small promotional items such as pass holders, travel mugs, or coupons for local merchants (these could be distributed to employees as awards or at transportation fairs). Although such recognition is generally fairly low cost to the agency, it can be an effective way to publicize the regional program and win goodwill among employers.

CHAPTER 5

UNDERSTANDING EMPLOYER DECISION MAKING AND PROVIDING TECHNICAL ASSISTANCE

This chapter focuses on what to do beyond marketing. When it comes to getting employers to implement commuter benefits, more must be done than simply convincing them it is a good idea. The commuter benefits marketer often needs to become an implementation support expert to help guide the employer through the sometimes complex process of setting up a commuter benefits program.

EMPLOYER DECISION MAKING

Understanding employer decision making is key to being able to provide useful technical advice. The decision tree (shown in Figures 2 through 5) illustrates an employer's decision-making process. Because every employer and program is different, it is impossible to cover all the potential permutations in a single diagram, but this decision tree at least illustrates some of the major decisions and factors to be considered. The decision tree is

- **Strategic.** Employers must first decide whether commuter benefits are right for them, which involves assessing their employee demand for benefits and whether their location lends itself to the use of these benefits by employees. In addition, multi-site employers must, in this phase, decide whether to investigate implementing commuter benefits at all locations, some locations, or only one location. At this point, senior managers and HR staff are probably the most involved in the decision-making process.
- **Financial.** An employer must next consider issues that affect the bottom line: what types of programs are to be implemented, and who will pay for them? At this point, budget staff may also be involved, because the costs vary greatly depending on the option the employer selects.
- **Administrative.** Once the basic outlines of the program are in place, staff in HR, benefits, and payroll must decide exactly how the programs will be implemented. These decisions include how to offer the benefits (i.e., passes, vouchers, or cash reimbursement), how and how often to enroll, and day-to-day administration.
- **Marketing and Monitoring.** Finally, before rolling out the program, the employer should decide how to market it to employees (for both the launch and continuing), as well as how to measure success.

Although the decision tree shows a relatively straightforward decision-making process, for many employers the process is anything but. A number of decisions must be made that involve different levels of responsibility, and the answers to one question do not necessarily clarify other questions. Employers may need different types of information during the process. Because of these complexities, many employers require one-on-one assistance in developing programs. Figures 2 through 5 may be useful in helping employers to develop and implement a program that fits their specific needs and goals.

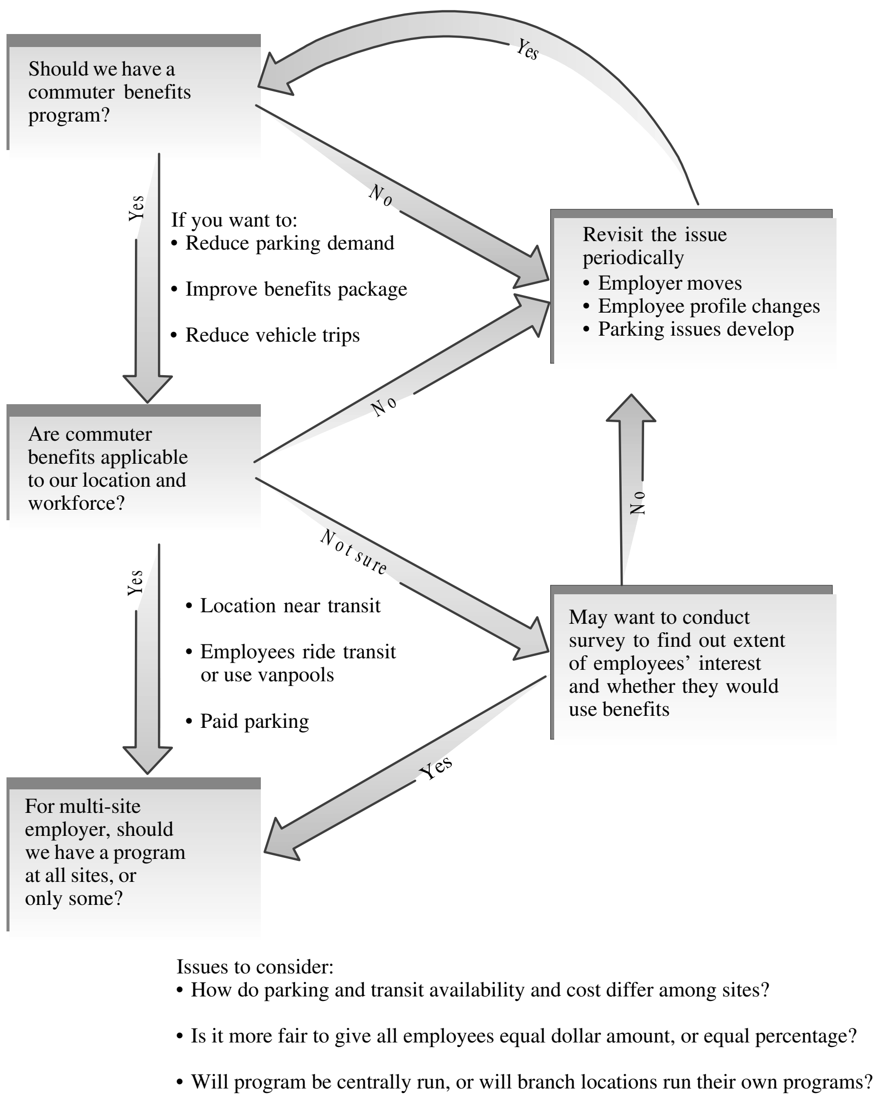

Figure 2. Strategic decisions.

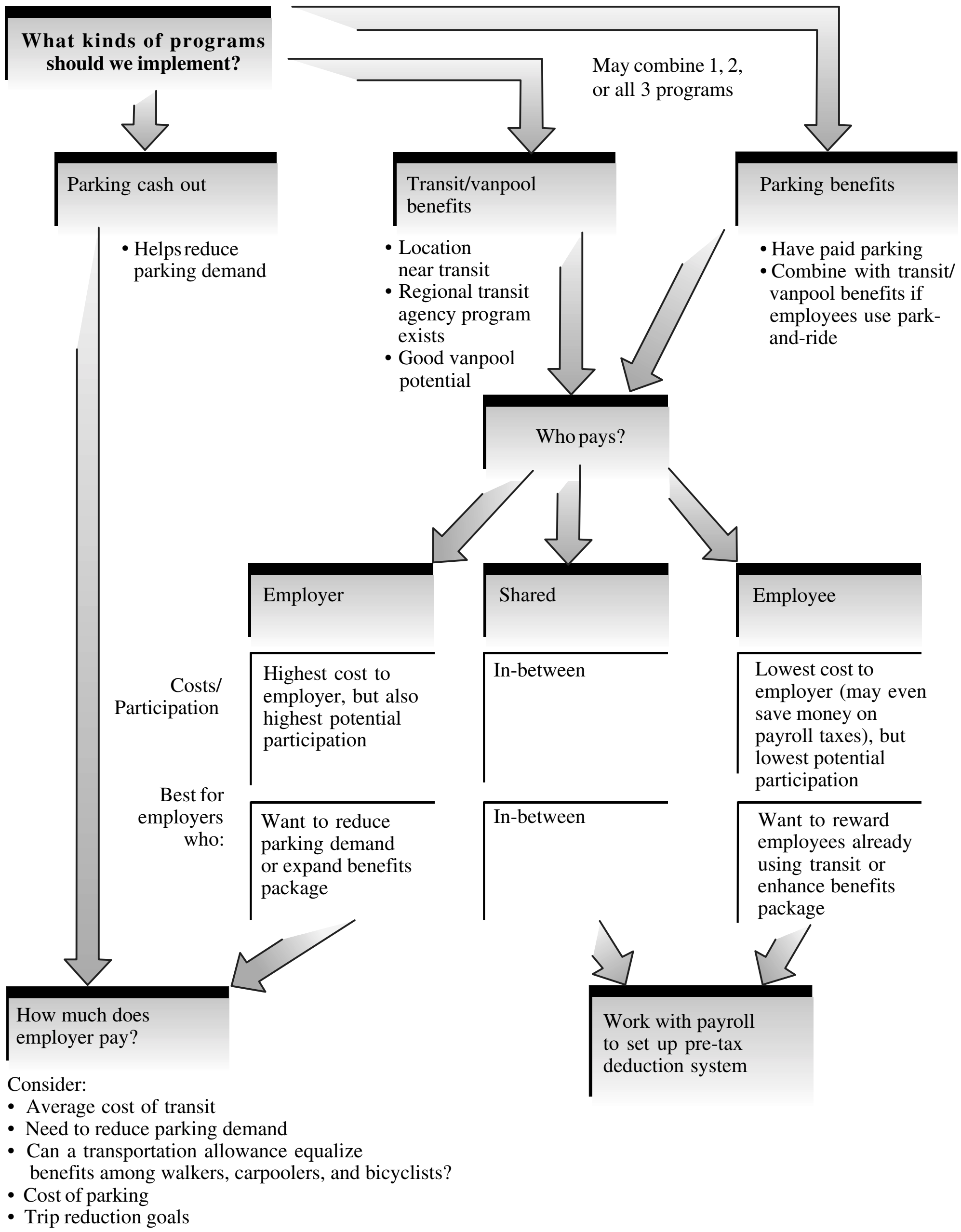

Figure 3. Financial decisions.

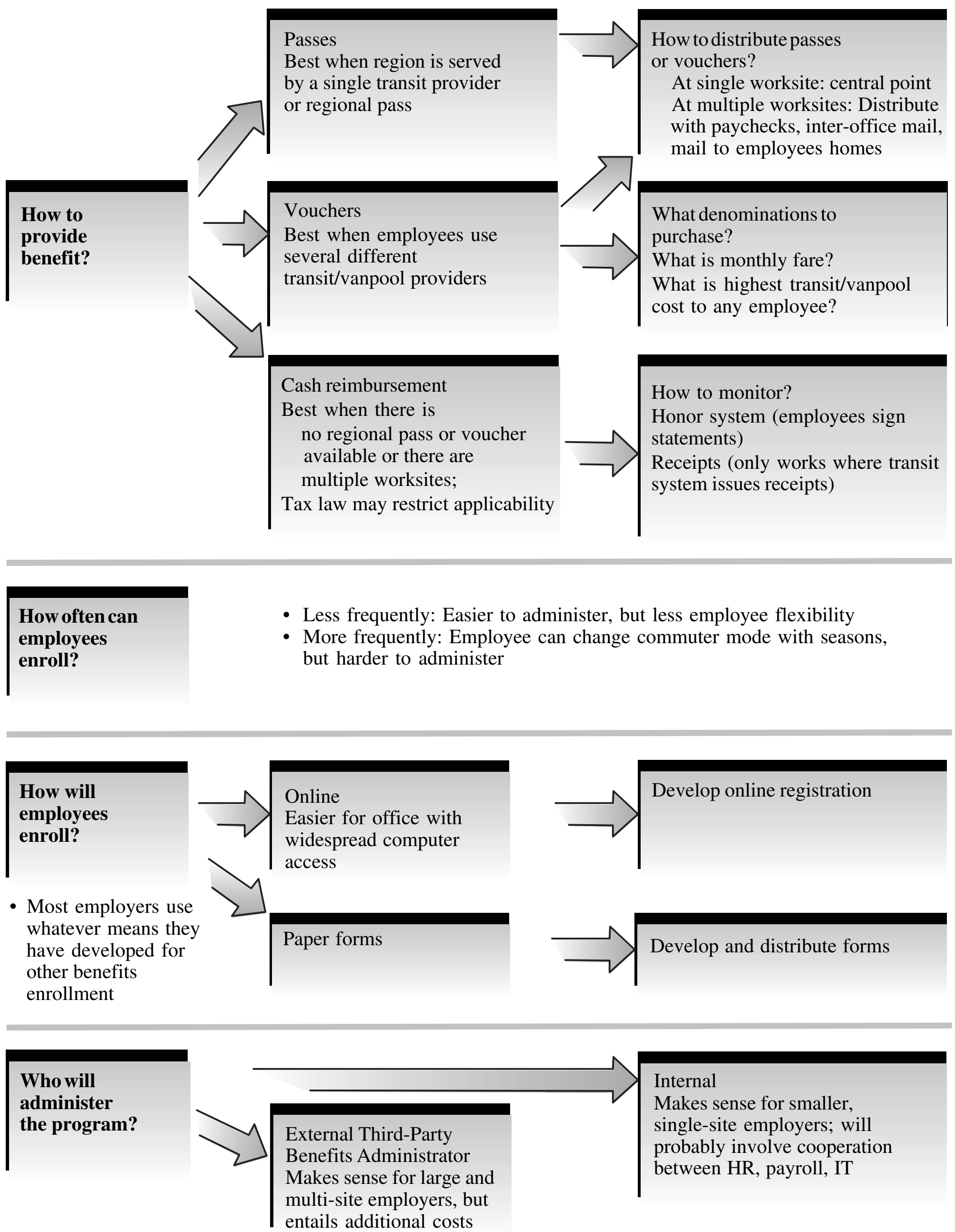

Figure 4. Administrative decisions.

How should we market the program internally?

Program Launch

Some ideas include:
- Flyers
- Posters
- Transportation fairs
- Web site
- Blast voice-or e-mail
- Annual benefits enrollment

Continued marketing

Some ideas include:
- New employee orientation
- Annual transportation fairs
- Commuter awards programs
- Annual benefits enrollment process

How should we measure results?

Program goal
- Reducing parking demand
- Trip reduction
- Recruitment and retention
- Employee satisfaction

How to measure success
- Number of employees parking and/or purchasing permits
- Percentage increase in employees not driving alone
- Change in retention since program was implemented

How to compile the data
- Parking counts or counts of vehicles entering parking area
- HR or personnel data
- Employee survey

Figure 5. Marketing and monitoring decisions.

HOW TO HELP THE EMPLOYER

Identify Reason(s) for Implementation

For programs to be successful, employers should clearly identify the goals of their programs. For some employers, the goal may be to reduce the demand for parking; for other employers, the goal may be to reduce employee turnover. Identifying why the program is being implemented can also lead to the basis for a cost-benefit analysis, which several employers said was important to their internal planning processes.

Agencies can market commuter benefits more effectively by identifying employers' program goals and by emphasizing that commuter benefits can help solve particular problems.

Case Study: Lawson Software, a Satisfied Customer

Lawson Software, a software firm in Minneapolis, Minnesota, reported no barriers to implementation and a high level of satisfaction with the program. The program was suggested by upper management to ease their move from a suburban to a downtown location and consists of pre-tax transit benefits and pre-tax parking, as well as participation in the regional Metropass program. The firm found it simple to modify its payroll processes and is pleased with the employer tax savings. Employees' satisfaction may well be helped by the $35/month parking subsidy that the company also provides.

Involve All Affected Departments

In developing a commuter benefits program, employers should get input from the various departments that may be affected. Keeping all departments informed during the process generally leads to a smoother implementation process and a clearer understanding of responsibilities. Although agencies generally deal with one contact person, it is important to remember that, within an organization, many departments may be involved in the decision-making process: management (for cost and policy issues), payroll (for implementation of subsidy and pre-tax programs), transportation or facilities management (for parking issues), HR/benefits (for the introduction of a new benefit), and legal (for tax issues). Especially for employers who already have transportation programs (e.g., paid parking or parking restrictions), it is important to involve all departments affected in order to ensure that the program as a whole works well.

Research Program Options

Successful commuter benefits programs are generally developed with full information in hand. The research showed that employers who understood the various options tended to be more satisfied with their programs than those who were confused about certain aspects of the programs. The tax issues tended to be the source of most of the confusion; agencies should be sure that they can explain these issues clearly to employers.

Anticipate Potential Problems During Planning

Employers should consider potential problems during the planning phase, so they are not faced with having to make changes shortly after implementation. For example, several employers said that they did not consider equity issues during planning and were faced with backlash from employees—solo drivers as well as bicyclists, carpoolers, and people who walk to work—who could not take advantage of the new benefits. Others did not anticipate that employees would change commute modes depending on the weather, and, therefore, changed their programs to allow employees to make new elections more often.

Meet Employees' Needs

Successful programs depend on employee participation, but a program that does not consider employees' needs will not attract much participation. A pre-implementation employee survey may be a good tool for employers to use to identify their employees' preferences and needs in terms of pre-tax set-aside amounts; flexibility to come in and out of the program (so they can change commute modes with the seasons); desire for vouchers, passes or cash reimbursement; fixed-dollar value versus percentage; and transit/vanpool/parking benefit options. Survey questions might include

- How do you currently get to work? (Give choices for each day of the week, and ask employees to report their commuting behavior for the past week.)
- Do you commute by a different mode during other times of the year?
- If you commute via transit or vanpool
  - What is your average monthly cost?
  - What transit or vanpool provider(s) and mode do you use?

- If we were to offer a commuter benefit of $X to all employees, would you use it? Why or why not?
- If we were to offer a commuter benefit of X percent to all employees, would you use it? Why or why not?
- If we were to allow employees to use pre-tax income up to $100 to pay for transit or vanpool expenses, would you do it? Why or why not?

Minimize Administration for Employer

Employers fare better with programs that are easy to administer. Generally, in choosing between vouchers or passes and cash reimbursement, employers selected the option that appeared to them to be the most straightforward. There was no correlation with vouchers/passes versus cash reimbursement and employer satisfaction as reported on the survey. However, if a program is simple to administer, the chances for it surviving a change in personnel or management are greater than if the program is complex.

Larger employers tended to avoid the administrative problems by using third-party benefits administrators to manage their programs.

Simplify Participation for Employees

Programs not only must meet employees' needs, but they must be easy to participate in. Enrolling, obtaining benefits, and changing preferences must all be simple for employees. What is simple varies from employer to employer; for example, office workers with desktop computers may find online enrollment to be simplest, whereas staff in a retail store may prefer a form distributed with their paychecks to be simplest. The most complex programs for employees to participate in seemed to be the cash reimbursement programs, because of the need to both reserve pre-tax income and request reimbursement on a regular basis.

Market Continually

If a program's success is directly tied to employee participation, all employees must be reminded of the program's availability. Employees who take a wait-and-see attitude may be persuaded later on to try transit or vanpooling when they see their colleagues having good experiences. Agencies can help employers in this regard by sponsoring transportation fairs, providing marketing materials, and encouraging employers to sponsor programs that raise awareness of commuter benefits, such as awards and prize drawings.

Not all successful employer programs look alike. A successful program meets the particular needs of the employer and employees, which vary widely among employers. Some potential indicators of a successful program are

- **Employee satisfaction.** Many employers emphasized employee satisfaction as a measure of success. Satisfaction is integral to the main goal of recruitment and retention. For example, one commented that "Those employees that participate, enjoy it and appreciate the program." Another said their program ". . . makes us competitive for hiring in some locations." Employee satisfaction is important to most programs, because if employees do not participate, none of the other goals probably will be reached. Employers can gauge employee satisfaction through both formal and informal feedback (such as employee surveys or complaints).
- **Level of employee participation**: Disappointed employers often commented on the lack of participation; for example, one company said about their program, "It hasn't been as successful as we had hoped. Many employees indicated they were interested but only a third of those actually signed up." If employees do not sign up for the program, other program goals cannot be achieved. However, participation may rise or decline over time; the number of participants enrolled right after implementation may rise with positive word of mouth or fall if employees find that transit and vanpool options do not meet their needs.
- **Reduction in parking demand.** Some employers implement commuter benefits programs with the specific goal of reducing parking demand by employees. One university said, "The program has been successful at increasing transit ridership and is beginning to raise awareness (of alternative commuting) within the . . . community." A municipality called their program successful ". . . since we immediately had seven employees interested in vanpooling, and they followed through and formed a vanpool." Another university who shared the same goal was disappointed in their program, saying, "The program didn't change driving habits (so it) needs to be rectified."
- **Ease of administration.** Many employers felt that part of the program's overall success was a low level of administrative difficulty. One small employer said that they were, ". . . happy about . . . the ease of (the) implementation process." Programs that are simple to administer are generally more easily accepted by payroll and benefits staff.

- **Cost.** Whether a program is successful in terms of cost depends on the program implemented. A few employers experience cost savings on their payroll taxes, which they consider successful. For other employers, breaking even is an important goal. One employer told us, "The rule of thumb we try to use was what . . . (we) would save in FICA tax is about what (the) program should cost . . . It is not a cost-free program, but hopefully it balances out." However, many employers deem their programs successful even if they cost money, because other goals are more important.

CHAPTER 6

BARRIERS AND HOW TO OVERCOME THEM

Identifying barriers that employers encounter and learning how to overcome these barriers helps agencies better serve employer clients. Not surprisingly, the largest employer barrier is a lack of transit or vanpool options. Where transit and vanpool options are available, however, employers still encounter a wide variety of barriers. Given the differing circumstances in which employers craft their programs, predicting which barrier a particular employer may encounter is difficult. However, several trends can be identified:

- **Large and multi-site employers encounter more barriers than small employers.** Large employers (more than 1,000 employees) face more barriers when setting up commuter benefits programs than do smaller companies (fewer than 1,000 employees). The research team found that small employers generally encountered one or two barriers, but large employers often faced five or six.[1] It is important for agencies to work closely with large employers and to be patient.
- **Employer attitude makes a big difference.** Employer representatives often credit the ease or difficulty of implementing their programs to the attitudes of particular individuals within their companies. At small employers, the support of upper management was, on several occasions, noted to have been the key factor in implementation, while at some large employers, uncooperative persons in key positions were blamed for the program's difficulties. Perceived barriers to implementation, such as anticipated administrative costs, can be as influential as real barriers.
- **Most employers encounter some barrier.** Very few employers reported that the implementation of commuter benefits went entirely smoothly; most encountered some problem. However, it would be nearly impossible to predict from an employer's profile which barrier will be encountered. Therefore, agencies must understand the barriers employers may face and the strategies that can overcome such barriers and be willing to work with employers to determine how the barriers affect that company.
- **There are no "one-size-fits-all" solutions.** Because of the various circumstances and possible programs, employer commuter benefits programs vary widely. Thus, it is important to work one on one with employers to explore the specific issues associated with each potential implementer. In addition, general information about how to implement commuter benefits may have limited usefulness to most employers.

Employers reported encountering the following barriers (the most common barriers are presented first):

- Administrative Issues
- Costs
- Equity
- Understanding How Benefits Work
- Developing Policies and Procedures
- Concerns about Cheating
- Convincing Upper Management and Other Departments
- Developing Marketing Materials

The sections below discuss each barrier in detail and provide agencies with specific suggestions on helping employers overcome these barriers.

ADMINISTRATIVE ISSUES

Administrative issues—what most employers called "hassle"—are most common among employers who have decided to implement commuter benefits. About one-half of employers encountered administrative barriers, such as

- **Internal coordination**. Often many departments need to be involved in the implementation of the program. Particularly for large employers, the logistics of delegating responsibility for program development and implementation and obtaining agreement from all affected departments can be problematic. Often in these situations, no one employee has the authority to decide to implement. Rather the decision must be made collectively, with several departments agreeing that the benefit

[1] There were not enough employers surveyed to break employers down into small, medium, and large categories and still draw meaningful results.

is a good program and that their staffs can assume the additional work needed to implement the program. The more departments involved, the more people who need to be educated about the benefit and all its complexities.

- **Working with payroll staff**. For companies that handle payroll internally, the payroll department will be responsible for setting up an employer-paid program or new deduction codes for pre-tax expenses. Employers reported the following payroll issues:
  - As a Section 132 benefit (versus 125), the deduction must be developed differently in the payroll system.
  - Because 132 allows employees to leave or enter the program at any time, payroll personnel are often reluctant to take on a program that may require continual coding adjustments. However, employers can reduce the frequency of elections to minimize the number of changes made to enrollments.
  - Some payroll systems are old and the software systems are "maxed out."
  - At larger companies, site-specific benefits may be complicated to add to the payroll system.
  - At larger companies, the complexity of the payroll system means that any changes, no matter how seemingly simple, require a great deal of time and effort to implement. Often employers are too short-staffed to dedicate this time and effort.
- **Merging commuter benefits with existing programs.** Many employers already have transportation programs of various types, and it is not always obvious how to implement a commuter benefits program on top of existing programs. For example, employers with differential parking rates could have trouble deciding at what amount to subsidize commuter benefits. Employers that already offer a partial transit or vanpool subsidy may also have difficulty blending this with a pre-tax program. Blending the employer-provided vouchers with the employee-purchased vouchers can add to voucher handling and distribution difficulties.

Case Study: Caterpillar and the Internal Coordination Problem

Caterpillar, an equipment manufacturer with headquarters in Miami, FL, was the employer in the survey that required the most internal coordination. Staff reported involving the following departments in their commuter benefits discussions: HR, Benefits, Transportation, Parking, Management, Legal, Environmental, and Public Affairs. With so many people involved, even scheduling a meeting can take weeks. The involvement of environmental and public affairs staff helped the company sell the benefit internally, thus supporting Caterpillar's goal of becoming more environmentally friendly.

- **Distribution.** For multi-site employers, distributing vouchers or passes to employees can be problematic, particularly if the voucher or pass provider mails them to a central location. Unlike the administrative problems outlined above, this one is related to ongoing administration, not the implementation phase. Specific issues involved with distribution include the potential for passes or vouchers to be lost; the cost of mailing; the time needed to bundle vouchers in the correct denominations for distribution; and concerns about safe handling of large quantities of vouchers and passes.
- **Obtaining Fare Media**. National employers often must work with more than one voucher provider or regional pass entity, thereby adding complexity to an already complex system.

Administrative issues are most significant during the decision-making and implementation phase and decrease once the program is operating. Several employers reported that after the problems establishing their programs, they feared that administration would be equally difficult, but that these fears were not realized; the programs actually ran very smoothly. Testimonials such as this may be of use to employers wrestling with the development of a program. Once up and running,

Third-Party Benefits Administrators

Many large employers find that they can minimize their administrative effort by hiring third-party benefits administrators (often shortened to TPA) to run their commuter benefits programs. Several employers even said that they had gotten the initial idea to have a program through their TPA. TPAs can perform the following services:

- **Enroll employees.** TPAs can set up enrollment systems for employees and track changes in their elections.
- **Order and distribute passes or vouchers.** Multi-site employers, who would potentially have to deal with multiple pass or voucher providers, can use a TPA to work with multiple vendors. TPAs can also ensure that passes or vouchers reach employees, in some cases mailing them to employees' homes.

TPAs generally charge some type of percentage fee for their services. A few TPAs work primarily with commuter benefits programs; others administer a wide range of benefits programs. A list of TPAs that operate nationally is provided in Appendix J. This list is not meant as an endorsement of particular firms; it is provided for information only.

employers reported that program administration took as little as a few hours per week for small employers to five full-time equivalent (FTE) for a major university with one-half of its 10,000 employees enrolled. The amount of time varies based on the type of regional pass/voucher program, the geographical span of the program, enrollment policies (i.e., how often can employee make elections?), distribution mechanics, and whether the program uses cash reimbursement or vouchers. Because these factors vary so widely, the research did not lead to the development of a "rule of thumb" about the amount of time needed to administer commuter benefits programs.

How to Help

Agencies may be able to assist employers with overcoming administrative barriers in the following ways:

- **Offer to meet with people from several departments.** Agencies can suggest the range of possible staff positions that might need to be involved in setting up the program and can offer to meet with everyone at the same time so that the contact is not responsible for explaining the program within the employer. Agencies should be willing to speak with all departments, such as upper management and payroll, even if it means repeating the message several times to the same client.
- **Consider employer's particular situation.** Although case studies of other employers are often extremely helpful, it is important to consider the individual employer's needs. Blending case studies and anecdotal information from other employer experiences with finely tuned concern for the client's unique situation is a good strategy for working with employers' complex situations.
- **Suggest a third-party administrator.** Without recommending a particular administrator, agencies may want to give employers contact information for the third-party benefits administrators operating in the area. Although such administrators charge fees, they may cost less than if the employer administered the program. A short list of national third-party administrators is in Appendix J.
- **Suggest regional voucher programs.** In an area with multiple transit service providers, agencies should suggest using a regional voucher if one exists. This relieves the employer of the burden of dealing with multiple providers. The more the agency understands how the voucher program works, the easier it will be for the employer.

Case Study: City/County of San Francisco and Multi-Site Voucher Distribution

The City and County of San Francisco began using Commuter Check, a regional voucher, because of the many transit agencies serving the city. However, city employees work at over 100 sites, making distribution of vouchers a "logistical nightmare," according to a representative. Their solution: Five locations throughout the city where employees could pick up vouchers in person, and a contract with a third-party administrator who mails vouchers to employees' homes. The city estimated that it spends $5.40 per month per employee on administrative costs, but the savings on payroll taxes exceeds this cost. Additionally, the 2,500 employees enrolled serve as a testimonial to the city's "Transit First" policy.

COSTS

Employers can incur three financial costs, as outlined below:

- **Costs of employer-paid benefit.** Employers that subsidize employees the full tax-free amount allowed under the law will incur significant ongoing costs, depending on the number of participating employees and the amount of the subsidy.
- **Ongoing administrative costs.** These may include voucher fees, administrative costs to run the program (for example, salaries for benefits or payroll staff, mailing costs, and program marketing), and program tracking and evaluation.
- **Start-up costs, including outside review.** Some employers seek outside assistance from lawyers and CPAs on whether their programs meet all applicable regulations.[2] While agencies often wisely advise employers to consult their tax advisors, they should be aware that employers may find this an expensive proposition.

Agency perceptions did not match employer perceptions about cost. Many agencies that promote commuter benefits believe that cost savings are a key motivator for employers. As such, many agencies emphasize the potential tax savings that employers can achieve. In contrast, employers often reported that the tax savings were insignificant and/or offset by administrative and start-up costs. While payroll tax-savings is an important aspect of commuter benefits programs, agencies should not oversell the program as a "money saver" to employers.

The research did not find a "rule of thumb" regarding employer administrative costs, as these costs vary based on program components, employer size, and required administrative time.[3]

[2] One employer cited a cost of $40,000; this may be an extreme case.
[3] Although the written survey included a question about administrative costs, most employers did not have a figure available, since they do not break out commuter benefits administration costs separate from other benefits programs.

Case Studies: How Expensive Are Benefits, Anyway?

Employers varied in their assessments of the costs and cost savings associated with commuter benefits. Implant Innovation, a medical device manufacturer in Palm Beach Gardens, FL, found that between the cost of the van for their vanpool program and the administrative costs, they achieved no tax savings. Abt Associates in Cambridge, MA, a global research and consulting firm, finds benefits expensive but worthwhile; although they spend over $100,000 annually on various transportation programs for employees (including shuttle operations), the benefits come back in the form of lower recruitment and retention costs and enhanced goodwill from the federal government, a frequent client. Hennepin County, MN, found that FICA savings from the pre-tax transportation programs cover about 30 percent of the subsidy paid for 1,800 bus riders.

How to Help

- **Public financial incentives.** Several agencies run incentive programs to encourage employers to "test-drive" commuter benefits programs without incurring significant costs. For example, one agency subsidizes all voucher purchases up to 1 year, after which employers are required to purchase the vouchers themselves for an equal amount of time. Incentive programs may be a good way to attract employers who might not otherwise try the program due to financial concerns. They may well find more employees than they expected using the benefit, which may convince them to continue enrollment at their own expense.
- **In-house tax expertise.** Although most agencies cannot afford to make legal counsel available to employers with tax questions, they can develop enough in-house expertise to answer some of the more basic questions that employers may have. This is especially important in regions or states with other regulations that may affect employers' decisions, such as state tax credits or local trip reduction requirements. However, agencies should be careful about wording such advice and perhaps provide a disclaimer about the importance of consulting legal and/or tax professionals as appropriate.
- **Calculator tools.** The first question many employers ask is, "What will this cost?" One useful response is to provide the employer with a calculator tool, which is an interactive paper- or web-based form that allows employers to input specific information and generate an estimate of anticipated costs. Calculators can range from the simple to the fairly sophisticated. The largest unknown for many employers is probably the number of participants; agencies should be ready to discuss this issue with employers and provide estimates based on the experiences of similar companies. It should be clear to the employer that the tool provides only an estimate, not an exact figure; however, many employers will find this useful if they prepare a cost-benefit analysis.

  The web-based Business Benefits Calculator, developed by EPA, provides an estimate of employee participation based on similar employers. This calculator tool is available at www.commuterchoice.gov/resource/calc.htm.
- **Emphasis on recruitment and retention.** Although the costs of employer-paid commuter benefits can be easily quantified and may appear prohibitively expensive, commuter benefits can pay off in other ways. Remind employers that recruitment and retention are expensive components of maintaining a high-quality workforce and that commuter benefits may help save costs in this area. This may be especially important to employers with high turnover or those in industries where the labor market is fairly tight.
- **Pre-tax possibilities.** If employers cannot afford to subsidize the benefit themselves, they may still be able to implement a pre-tax employee-paid program. This still benefits employees without incurring high costs to the employer.

Case Study: Abt Associates and Programs Tailored to Multiple Sites

Global research and consulting firm Abt Associates has its headquarters in Cambridge, MA, and offices in six other locations. The different locations have varying commuter profiles, and it took Abt significant time to decide how to apply commuter benefits fairly to all sites. The sites have different parking charges and levels of transit accessibility, and it was important to develop a program in which all employees had the opportunity to obtain a benefit. Abt developed a program in which three sites in Massachusetts all have shuttles to transit; one of these is through a TMA. However, *all* employees are eligible for a $15 per month transit subsidy. Because the shuttles differ, each program is managed at the site level.

EQUITY

Some employers find that equity concerns are a barrier, either before or after implementation. Equity concerns can arise in several situations:

- **Between sites.** This obviously constitutes a barrier only for multi-site employers, but it can become a serious one. Generally it becomes a problem if different sites have widely varying commute possibilities; for example, one site is located downtown, whereas another is in a suburban location, accessible only by an infrequent bus. While the employer could offer the benefit to employees at both locations, obviously only employees at the downtown location will make much use of it. The employer then faces the question of whether or not to somehow try to equalize benefits across sites. Often the availability of

Case Study: University of St. Thomas and Differential Parking Costs

The University of St. Thomas has two campuses with different transportation costs. Although both campuses have more-or-less adequate parking, parking at the downtown Minneapolis campus is more expensive for the university (mostly because it is leased), while the St. Paul campus is located in a residential area where the university owns the spaces. These differences are reflected in the parking prices paid by employees: $100 per *month* in Minneapolis and $150 per *year* in St. Paul.

Both of the campuses currently have parking cash-out programs in place at $100 per month. Concerned that the higher parking rates at the Minneapolis campus penalize lower-income employees, at the time of the interview the University was considering two potential means to address the issue: (1) subsidizing parking costs only for lower-income employees and (2) providing a cost-of-parking salary increase to Minneapolis employees. At the same time, the city of Minneapolis requires the University to have a transportation management plan that decreases the University's percentage of drive-alone commuters and that eliminates parking subsidies in the future.

free parking at the suburban site is a way to accomplish this.

- **Between transit/vanpool users, solo drivers, and carpoolers/bicyclists.** Employers may experience a backlash from solo drivers, who can become resentful that their commuting costs are not covered. Many employers, however, are able to use free parking as the benefit received by solo drivers and carpoolers. On the flip side, commuters who "do the right thing" and utilize less- or non-polluting modes such as carpooling, bicycling, or walking may feel slighted that their costs are not covered.
- **Between full dollar amount and paying a percentage of commuting costs.** Most employers must decide whether to give all employees the same subsidy amount (dollar amount) or vary it based on the employee's actual commute cost (percentage basis). For some employees, a flat-rate subsidy will cover the full commute cost, while for others only a portion. This issue often arises when there are multiple worksites and commuting costs vary. For example, a downtown office may be able to cover its employees' full commuting costs by supplying monthly fixed-price passes, while a suburban office served by commuter rail may find its employees' commuting costs both higher and more variable. Even within a single office, however, the distance the employee lives from work is often related to commuting costs. Covering the full commute cost may be construed as a subsidy to employees who choose to live further away.

Equity concerns may also arise where there are labor unions representing part or all of the employer's workforce. Generally a union's interest is in ensuring that all employees have access to the same benefits package and that benefits do not discriminate against any group of employees.

How to Help

Unless all employees can commute via transit or vanpools for the same price, employers will face some of these concerns in developing a program. Others may find that developing the program seems simple, but discover after implementation that some employees are discontent because they feel the program discriminates against them in some way. Several employers interviewed for this project said that they wished they had given more attention to equity issues before implementing the program.

Some suggestions for helping employers deal with equity issues are below:

- **Compare subsidies.** Although employers may encounter opposition from solo drivers to helping subsidize transit and vanpool riders, in many cases solo drivers receive free parking, which constitutes a large subsidy. Employers may want to consider how much they subsidize employees driving alone, by considering either the cost of leasing parking spaces or the cost of maintaining parking spaces that they own. Some employers may also want to figure in the lost revenue they might obtain from making parking spaces available to paying customers. If employers subsidize drivers through free parking, a transit/vanpool benefit is providing redress to non-drivers.
- **Relate the program's policies to its goals.** For some employers, the main reason to implement commuter benefits may be to reduce demand for parking. In this case, it makes sense that the employer will subsidize as much as possible each person's commuting costs, even when they vary between employees. When recruitment and reten-

Case Study: Nike's Commuter Awards Program

Nike, a sports and fitness company headquartered in Beaverton, OR, has an extensive commuting awards program. All non-single occupant vehicle commuters are eligible for monthly and quarterly prize drawings. Prizes range from gift certificates in increments of $25-$100 for the employee store or local retailers to $400 for mountain bike purchases or "get-away" weekends. Participants register online weekly to be included in prize drawings. To qualify for the prize drawings employees only need to use an alternative to driving alone once a week. Registrations also form the basis of Nike's trip reduction reporting, which is mandated by the State of Oregon.

The prize drawing program costs Nike approximately $41,000 annually. Of this amount, $23,000 is spent at headquarters, which has 5,000 employees.

tion is the main goal, employers may want to keep the benefits consistent among employees, or implement benefits that can be used by all employees for any transportation mode (see below).

- **Develop consistency with other company benefit policies.** Some employer benefits programs provide an equal benefits package, regardless of whether the employee has dependents, while others have programs that may benefit employees with dependents to a greater degree. The employer might want to look at commuter benefits in light of the policies developed by the company for other benefits and apply the same rationale to establishing commuter benefits.
- **Take an employee survey or conduct a focus group.** Employers may wish to take an informal poll as they develop their benefits program to find out what most interests employees. Employers may find that the a new benefit may be linked in employees' minds to other real or perceived inequities, or they may find that employees are pleased with the idea. This may be valuable information for the employer to have while developing the program. An extensive survey could even be used to develop a baseline from which to measure the effectiveness of the benefit.
- **Involve unions.** Employers with unions should be encouraged to involve union representatives early in the process to obtain "buy-in" for commuter benefits programs.
- **Emphasize parking cash-out or tax-free parking benefits.** If the problem lies in a perception that the program unfairly benefits transit and vanpools riders, an employer can balance this by introducing a parking cash-out element, or tax-free parking benefits. Tax law allows employees to receive both parking cash-out and transit/vanpool benefits; however, as employers tend to find the idea of parking cash-out confusing, agencies may need to work more closely with such employers to explain parking cash-out.
- **Develop a pre-tax program.** If employees use pre-tax income to pay for transit/vanpool benefits, it reduces the perception that some employees are being favored at the expense of others.
- **Provide incentives to users of other modes.** Although carpoolers, bicyclists, and walkers are not eligible for any type of tax relief in conjunction with their commute modes, employers can provide other types of financial incentives to recognize their contribution to diminishing parking demand and air pollution. Carpoolers would benefit from reduced price parking or reserved spaces. Bicyclists and walkers could be made eligible for (taxable) reimbursements of their costs, such as a gift certificate to a bicycle or walking shoe store. All non-solo drivers would benefit from an awards program, such as occasional prize drawings or a "commuter benefits club" that offers discounts at local merchants, an employee store or on-site cafeteria.

UNDERSTANDING HOW BENEFITS WORK

Understanding how commuter benefits work is confusing for many employers. In some cases, employers do not know where to turn for information. Therefore, outreach efforts are important so as to ensure that the agency's name is well known as a source of information on commuter benefits. In other cases, the employer's situation may make benefits issues more complicated (e.g., non-employees on site who are not eligible or who have differential parking costs). Finally, in areas where there are other issues affecting commuter programs, such as state tax incentives or trip reduction requirements, employers may have difficulty sorting out how those policies affect each other.

How to Help

Agencies can be extremely helpful in this area, because many are positioned to offer one-on-one assistance and explanations of tax regulations. Specific steps include the following:

- **Make information available.** Agencies should have various marketing pieces available for distribution to employers. Because there are many different issues, programs must be tailored to the specific needs of employers. Agencies should provide explanations of tax benefits, employers questions and answers, explanations of how tax credits or local regulations affect the provision of commuter benefits, "how to" pamphlets, and information

Case Study: Hennepin County and Understanding the Benefits

Hennepin County, in Minnesota, was the first county in the state to develop a commuter benefits program, implementing a payroll deduction for bus passes sometime before 1980. In 1999, after much research, the county added a pre-tax option for bus passes and vanpools. In 2000, a cash-reimbursement pre-tax parking program and a very successful subsidized bus pass program were also added. However, confusion arose because some employees receive County-paid parking (as required for their jobs) and are thus not eligible to participate in the pre-tax program. Also, for County-owned parking lots, the cost can be taken directly out of pre-tax salary, whereas non-County-owned lots have to be paid through claim reimbursement. For the latter employees, if they have no experience using a flexible spending account, the process remains complicated, because it involves setting the money aside pre-tax, paying for parking, and then requesting reimbursement from their pre-tax funds. The County has developed internal marketing materials to better explain the various programs to employees.

directed at decision-makers (glossy, short, written in "business" language). Web sites are an effective tool, since they allow information-seekers to navigate to the topics that apply to them.
- **Speak employers' language.** Agencies should be familiar with the detailed issues that employers encounter, such as Section 125 and Section 132 plan regulations, as well as the benefits software they may be using. Having staff who understand these regulations available for one-on-one employer assistance is a very effective tool.
- **Reach out to HR and benefits staff through professional organizations.** Many employers turn not to transportation agencies for information on commuter benefits, but to professional organizations such as HR and benefits associations. Agencies can work with local chapters of HR organizations to ensure that members who go to them seeking information are given appropriate referrals. Transportation agency staff may also wish to speak at HR organization meetings.

Case Study: Winning Management Support

Staff at a Midwest financial services and insurance company developed a commuter program that included a 25- to 30-percent transit pass and parking subsidy and pre-tax payment for both parking and transit. The company developed this program in response to the extremely tight labor market, lack of parking, and high cost of parking in the downtown location. To counter financial objections, they worked up an analysis that showed the management team that a 25- to 30-percent transit pass subsidy and pre-tax payment for both parking and transit, would be cost-effective for the firm. However, the same cost analysis showed that additional incentives for carpoolers and vanpoolers could not be justified, because of the small number of potential participants. At the time of the interview, the company was trying to find a way to "reward" those commuters without undue financial hardship to the company.

DEVELOPING POLICIES AND PROCEDURES

Once an employer has decided to implement a commuter benefits program and even addressed such larger questions such as whether the program will be employer- or employee-paid, there are many smaller decisions to be made about how the program will operate. Agencies should be familiar with some of the following questions, because most employers will have to address them:

- **Who is eligible?** Tax regulations state that all employees (as defined by law)[4] are eligible and that the employer may choose to include some and exclude others. Thus, some employers must decide whether some or all sites will be eligible, and whether eligibility will be linked to the employee's access to parking (i.e., if an employer has limited parking, will those employees who accept commuter benefits be requested to relinquish their spaces?)
- **Will participating employees still be allowed to drive occasionally?** Many employers do not want to entirely restrict access to parking if employees accept commuter benefits, because they recognize that employees may need to drive from time to time. Some employers resolve this by setting an official policy regarding how often employees who normally ride transit or vanpools can drive to work, and giving out one-day parking passes as appropriate.
- **How and how often can employees enroll?** Employers need to develop enrollment procedures. Depending on how elections for other benefits occur, commuter benefits would generally be handled in the same fashion (i.e., through paper form, telephone communication, or increasingly via online enrollment). Employers must also decide how often employees can change their enrollment. Under Section 132 plan regulations, employers may allow employees to change their elections as often as they like.
- **Should the employer use vouchers?** When there are regional programs available, many employers find vouchers extremely convenient. Vouchers are more useful when employees use multiple transit providers. When there is one transit provider in the area, passes can be more convenient because employees do not need to redeem them for fare media.
- **Should /Can the employer use cash reimbursement?** For large multi-site employers that may face distribution issues or have branches in more than one region, cash reimbursement may be the best option, provided that it meets existing regulations. However, concern about these regulations has led some employers to wait until these issues are fully resolved before committing to the programs (see the subsection on Vouchers/Passes Versus Cash Reimbursement in Chapter 1 for a discussion). Cash reimbursement also tends to be more popular with employers who already have reimbursement systems in place; others without such experience may find it unwieldy.
- **How do commuter benefits fit into other employer transportation programs?** For some employers, commuter benefits may not be their first experience with transportation programs. Even outside of areas where trip reduction ordinances are in effect, employers may already have in place programs such as parking policies or shuttles. Employers have to decide how all their transportation programs fit together.

[4] In general, employees are persons who receive W-2s from an employer. As noted in Chapter 2 under Eligibility and Enrollment, self-employed persons—which include sole proprietors, partners, persons who hold over 2-percent ownership in an S corporation, and contractors—are not eligible to receive commuter benefits. They may, however, receive transit passes or vanpool benefits as *de minimis* benefits up to $21 per month. Also, some persons who work are not considered employees; for example, work-study students at a university are *not* employees.

How to Help

Agencies can assist employers by understanding the dimensions of these decisions and making suggestions for things that employers may not have thought about. Some specifics include

- **Suggest pros and cons of various decisions.** As noted above, employers have to decide how often to allow employees to enroll. If they allow frequent elections (e.g., monthly), employers may find changes difficult to track administratively. If they allow only annual elections, they may discourage participation by employees who might change commute mode with the seasons (in a cold climate, for example, driving in the summer but switching to transit in the winter).
- **Know the applicable voucher and pass programs.** Agencies should be very familiar with the details of *all* the voucher and pass programs available in the region, including enrollment restrictions, charges, and contact information. This is especially important for those agencies that do not manage programs themselves, but may give referrals to employers.
- **Discuss employee surveys.** As noted in previous sections, employers may find it useful to survey their employees for more information about their commute choices and preferences.
- **Have examples ready.** Although employers have unique situations, they are interested in hearing about how other employers in comparable situations resolved similar obstacles. Agencies should be able to respond with both specific examples ("Another university worked this out by giving transit/vanpool benefits to both faculty and staff to compensate for raising parking fees") and generalities ("Most downtown employers find monthly passes work well for their employees").

Employers Who Considered Benefits

One of the main goals of this research was to find out why employers who are seemingly good candidates for commuter benefits have not implemented them. Contact with eight such employers found that the locations and other benefits offered by these employers did not differ substantially from those of the implementers. However, they tended to encounter more significant barriers, as indicated below:

- Three were in suburban locations with little transit service and/or abundant free parking and thought few employees would use the program.
- Two were large employers (in the tens of thousands of employees nationwide) and the programs had to be implemented by the headquarters. In both cases the representative's perception was that the central office would want to implement the program for all branches, which was too much work when only one branch expressed interest.
- Two were in cost-cutting mode and could not justify the additional expense, no matter how small.
- One thought the administrative hassle (including voucher distribution) would be too great.

CONCERNS ABOUT CHEATING

Some employers fear that employees may sign up to receive commuter benefits, but give the benefits away to family members and continue to drive. (One agency interviewed had also heard anecdotes about employees purchasing fare media, then requesting refunds from the transit provider.) Generally this concern does not stop employers from implementing the programs. Agencies can point out that employers have other programs (for example, travel reimbursements) that rely on trust between employer and employee. Only a few of the employers interviewed experienced problems with cheating, but none had yet confronted the problem or thought it justified discontinuing the program.

Possible solutions to combat cheating include policies to cut off the benefits to those found cheating, the use of parking passes, or parking spot checks. An employee found cheating could face the employer's standard punishment for those found defrauding the company.

CONVINCING UPPER MANAGEMENT AND OTHER DEPARTMENTS

Convincing upper management and other departments to implement commuter benefits is generally a problem for larger employers, who have more layers of decision making and more departments to involve.

This is one of the more difficult problems for agencies to assist employers with, because it involves internal decision making, requests for extra staff support, and, in some cases, personality clashes. Agencies can best help by offering to make presentations to other departments (which may relieve the main contact from having to explain technical information to others and will allow other departments the opportunity to ask questions) and developing marketing materials aimed at decision makers and payroll staff.

DEVELOPING MARKETING MATERIALS

Several employers reported that one barrier they encountered was having to develop their own marketing materials. The agencies interviewed often had a good opinion of their own marketing materials, and many agencies do have very professional and informative marketing materials, but in many cases they are aimed at a general audience and may be inappropriate for employers to use with their own employees. In particular, employers with complicated transportation programs had to develop their own materials to explain their specific programs to employees.

Agencies should recognize that this may be a barrier for employers, especially those with large workforces or complex programs and that employers incur expenses in writing, editing, producing, and distributing marketing materials. They can best assist employers in this regard by having basic information available in electronic format that employers can use in writing their own materials.

BARRIERS THAT EMPLOYERS DID NOT OVERCOME

For some employers, at some point in time, some barriers may be insurmountable. Barriers too great for some employers to overcome include:

- **The local office does not have decision-making authority.** For employers with headquarters located elsewhere, local offices may not have the authority to offer a new benefit. At the same time, the headquarters may not be interested in pursuing the issue. In particular, payroll may be handled by a central office, disconnected from urban sites that are interested in the program. Some headquarters think that they have to offer the program throughout the organization, not just at selected branches, and the issues may overwhelm decision makers.
- **Employer has financial problems.** If employers are laying off employees or reducing existing benefits due to financial problems, implementing new benefits is difficult. It may be best to approach them when their situation improves.
- **Mergers and acquisitions.** Employers who are merging with, being acquired by, or acquiring other companies generally have their hands full dealing with questions of how to merge their existing benefits programs. However, if a company that already has commuter benefits is merging with a company that has none, there may be a role to play in helping them retain the benefits they have and even extend them to the employees in the other firm. This is especially an issue if a firm with a strong benefits or environmental profile merges with one lacking those qualities.
- **Key positions are unfilled.** If an employer is without an HR manager or benefits manager, the employer may be unwilling to make the policy decision to adopt a new benefit. It may also be that the persons in these positions are simply too busy to do the research needed or unwilling to adopt a major change in benefits.

Barriers that would be difficult for one employer may not exist for others. Much depends on the employer's attitude as to whether or not the program is pursued. Also, few of these eight employers had definitively decided not to implement commuter benefits; most were still pressing the issue, albeit without much success, or waiting for their situations to change. Agencies can help by checking back with employers and recognizing that the program may take months or even years from conception to implementation.

Case Study: Doubletree Hotel and Cost Containment Measures

The Doubletree Hotel, a business-class hotel in downtown Boston, began offering a 20-percent discount on T-passes to its employees when it opened in summer 2000. The program was both inexpensive and popular, costing several hundred dollars per month for its 35 to 40 participants (over 30 percent of its staff). Although the local management team had authority to implement the program, a corporate headquarters directive called for cost containment measures in the wake of a dramatic and unexpected decline in occupancy in September 2001, and the program was discontinued. In addition, the person administering the program was one of those laid off, and remaining staff could not absorb the extra work. Commuter benefits were the only benefits cut, and hotel management hoped to reinstate them when business returned to normal.

The Difficulties of Convincing Corporate Headquarters

A major airline (80,000 employees nationwide) is required by one of its hub airports to have a transportation program manager, who was interviewed for this report. This manager has championed the idea of a pre-tax commuter benefit. She met with the heads of the benefits, payroll, and tax departments at the company headquarters in spring 2001, but none were interested in taking on commuter benefits as an additional project. The main impediment is the antiquated payroll system. Not only is adding a new deduction code to the 25-year-old software complex, but determining the work involved and finding the staff time to implement changes posed further challenges. Free parking is prevalent throughout the company, and without support from top management the proposal seems unlikely to come to fruition.

CHAPTER 7

DEVELOPING EFFECTIVE REGIONAL PROGRAMS

Beyond promoting and assisting employers in setting up commuter benefits programs, transportation agencies can make their own commuter benefits programs more attractive to employers. This chapter discusses ways for transportation agencies to accomplish that.

First and foremost, making the program simple for the employer is essential. Many areas of the country have regional voucher or pass programs that make it easier for employers to offer commuter benefits programs. Having a regional "brand" also makes it easier for agencies to market commuter benefits—although employers may not know about "qualified transportation fringe benefits," they have probably heard of "Metrochek" or "EcoPass."

Agency employees must be thoroughly familiar with the voucher or pass programs offered in their areas. Some areas have only one such program, while others have several. If there are several, agencies should be aware of how the programs work, who can use them (i.e., are they restricted to certain transit providers or geographic areas?), how much they cost the employer, and how to enroll. Agencies should also work with employers to minimize the employers' need to deal with more than one program. Furthermore, regions should incorporate pre-tax payment options into any "Universal Pass" programs, such as bulk employer purchase of transit, Smart Cards, or other streamlined fare media.

MAKE PROGRAMS EMPLOYER- AND EMPLOYEE-FRIENDLY

The regional program—whether a pass or a voucher—should be employer- and employee-friendly. Elements of employer-friendly programs include the following:

- Employers can register in various ways: fax, telephone, or online.
- For voucher programs, the voucher denominations match the prevailing transit fares (for example, if the monthly bus pass costs $35, a $35 voucher means that employers can give their employees exactly the right amount). Vouchers could also be pre-bundled, so that employers receive packages representing the amounts requested by each employee.
- Delivery is quick, dependable, and, preferably, free.
- Employers can contact knowledgeable agency representatives should they have questions.

Some regional programs are more convenient for employers than others. At one agency, for example, their pass program requires employers to pick up passes in person from a downtown office—Enrollment has remained low. Agencies should find out from employers if there are any impediments to enrolling in regional programs and evaluate potential improvements by asking if it would make the program easier from the employers' standpoint.

For employees, the most important aspects are flexibility and simplicity. Flexibility is important so that employees who do not use transit every day can still benefit. Therefore, agencies that typically sell monthly passes could make it easier for employers to buy fare media in small denominations, such as 10-ride passes. It also means that vouchers need to come in various denominations. Finally, vouchers need to be easily exchanged for fare media. Employees must be able to purchase transit tickets or passes with their vouchers at various locations. (For example, one agency related that they had heard anecdotally about some retailers, such as drugstores, refusing to accept vouchers as payment for passes. Such barriers make programs more difficult for employees.)

Case Study: MBTA's T-Pass Program

The Massachusetts Bay Transportation Authority (MBTA, commonly known as the T), has a corporate pass program that garnered praise from other agencies as well as employers. Employers can sign up via fax using a form available online. Passes must be ordered by the 5th and paid in full by the 7th. Monthly passes (15 different types are available representing various combinations and zones) are sold to employers at cost and sent via 3-day FedEx no later than the 26th of the month. Passes that are not sold can be returned to MBTA for a credit by the 5th of the following month. Employers can change the number and types of passes purchased on a monthly basis. The program gives employers the flexibility to purchase the passes for employees or sell them either at cost or at a discount to employees.

COOPERATE WITH OTHER AGENCIES

The regions studied in this research all had more than one agency promoting commuter benefits, and for larger metropolitan areas this appears to be the rule—transit agencies, regional and local rideshare programs, metropolitan planning organizations (MPOs), and TMAs/TMOs may all promote commuter benefits to employers. Because of the complexities involved for employers, it is important that these various agencies work together on commuter benefits issues, both to get out a consistent message, as well as to ensure that employers receive appropriate referrals when they have questions.

It is strongly recommended that various agencies within a metropolitan area cooperate on commuter benefits issues if they are not doing so already. Specific suggestions include the following:

- If responsibilities are divided geographically, agencies should be familiar with the groups that cover different territory. Employers with multiple sites will want contact information for agencies that cover their other locations. Even better, agencies can eliminate the need for multi-site employers to have to work with more than one organization within a region by developing programs that apply throughout the region. (If employers have offices in multiple regions, this task becomes increasingly difficult and may prove impossible.)
- If responsibilities are divided functionally (for example, one agency markets to employers while another deals only with public advertising), agencies should be able to give knowledgeable referrals to other agencies. For example, if an employer calls a transit agency asking about tax benefits and the agency cannot answer the question, staff should be able to refer the employer to a commuter assistance program in the region that can.
- A regional voucher or pass simplifies matters greatly for employers, because they can deal with one provider instead of several. Most metropolitan areas already have such a program; those without should work together on implementing one.

Finally, transportation agencies should consider working or sharing information with organizations that deal with human resources or benefits. (A list is provided in Appendix H.) Often employers turn to such organizations for information on a new benefit, because they are not familiar with the local transportation agencies.

Case Study: Agency Cooperation in the Minneapolis/St. Paul Region

Although they represent different groups, Metro Commuter Services (the Minneapolis/St. Paul commuter assistance organization), Metro Transit (the regional bus service provider), and the two TMOs that serve downtown Minneapolis and downtown St. Paul work as a team to ensure that employers can get good information about regional programs. For example

- The agencies sponsor joint marketing activities, such as employer workshops, creation of a CD-ROM, and other communications. The Downtown Minneapolis TMO staff developed an employer guidebook, and the printing costs were paid by Metro Commuter Services.
- Representatives of each of these organizations meet monthly to discuss how the various commuter choice incentives (e. g., state and federal tax credits, regional bus discounts for employers, and regional vanpool incentives for commuters) can be marketed and implemented most effectively.
- One of the key staff at the Downtown Minneapolis TMO became an expert on tax issues and is recognized by staff at the other agencies as the most knowledgeable source in the region on IRS regulations and tax benefits. Other agencies routinely referred questions to him, enabling them to respond to questions they otherwise might not have been able to answer.

The efforts pay off in good working relationships, as well as a high percentage of downtown employers participating in the three regional programs (Metropass, TransitWorks, and Commuter Check).

UNDERSTAND LOCAL CONDITIONS

For some areas, the administration of commuter benefits programs may be fairly straightforward, but for others, there are other complicating factors, as outlined in the sections that follow.

Mandated Trip Reduction Programs. Some states or local jurisdiction require certain employers to reduce the number of single-occupant vehicle commuter trips made by their employees. Employers required to comply with such programs

Case Study: Massachusetts Institute of Technology and Trip Reduction Regulations

In developing its program, MIT had to take into account not only federal tax law, but strict TDM requirements imposed by the City of Cambridge MA, where its campus is located. Cambridge had a freeze on the construction of new parking, and per the City's Clean Air Act, MIT agreed to have no more than 36 percent of its employees driving to work. University expansion was linked to TDM programs.

Faced with the need to pass along more of its parking costs to its employees, MIT dramatically increased its parking fees from \$20 per year to \$300 per year in 5 years. However, employees who carpool or vanpool receive a 50-percent reduction of parking costs, and all employees can use pre-tax salary for parking and transit costs.

may require assistance in crafting a program that fulfills these mandates as well as tax law requirements.

State Tax Credits. Some states provide tax credits to motivate employers to offer commuter benefits programs. Although these are great motivators for employers, they may also make it more complicated for employers to determine their costs and benefits. At the time this report was published, seven states offered some type of tax credit; these are discussed in Appendix A.

State Tax Laws. States vary in their treatment of income that is exempt from federal taxation. In general, "conforming" states exempt whatever income the IRS exempts, whereas "nonconforming" states do not automatically exempt such income. Therefore, whether transit/vanpool benefits are exempt from state income tax varies from state to state. Appendix C lists all states and their conforming/nonconforming status. However, there may be examples of conforming states that tax benefits, and a qualified tax advisor should be consulted with questions on this topic.

Agencies should be knowledgeable about local factors that may complicate programs for employers. At regional agencies, at least one staff person should understand these regional factors well enough to explain the differences to employers. In some areas, agencies may need to be familiar with several sets of requirements, if they serve employers in multiple cities, counties, or even states.

APPENDIX A
HISTORY OF COMMUTER BENEFITS

OVERVIEW

This appendix summarizes federal and state legislation that has shaped commuter benefits programs across the United States and discusses proposals for new federal and state legislation and the potential effects of this legislation. The information in this appendix will help transportation agencies to better understand the following:

- The changes in legislation that have shaped commuter benefits programs, and
- The existing legislative provisions and regulations regarding commuter benefits programs.

This information will allow agencies to better work with employers to promote and facilitate the development of commuter benefits programs.

Many people who market commuter benefits for transportation organizations are not familiar with the history behind commuter benefits or the details of existing regulations. A better understanding of how laws have changed, the implications of state legislation, and potential legislative changes will help provide context and allow for a more informed approach in working with employers. If desired, information in this appendix could also be adapted for a web page or briefing document to be distributed to staff within public transit agencies, state departments of transportation, metropolitan planning organizations, transportation management associations (TMAs), and commuter assistance programs.

This appendix is divided into three main sections:

- **Federal Legislation, Executive Orders, and Regulations.** This section focuses on federal legislation and other actions that have shaped national policy in regard to commuter benefits programs.
- **State and Local Legislation.** This section describes state and local legislation to encourage commuter benefits. The section addresses the California parking cash-out legislation and efforts to provide incentives for employers to implement commuter benefits programs.
- **Proposed Legislation.** This section identifies proposed legislation and anticipated changes in federal and state legislation regarding commuter benefits. Included in this section is a description of a bill proposed in 2000 to the U.S. Congress that would raise the monthly limit on tax-exempt transit/vanpool subsidies provided to employees by their employers.

Each section contains a short overview of important actions that have helped to shape commuter benefits programs nationwide. Following these sections is the text of the federal tax code dealing with commuter benefits.

FEDERAL LEGISLATION, EXECUTIVE ORDERS, AND REGULATIONS

The Internal Revenue Code (IRC) that governs commuter benefits is found at 26 USC Section 132(f). Since the early 1990s, federal legislation and actions have enabled and expanded the range of commuter benefits that employers can offer their employees. The key pieces of federal legislation that have amended the IRC are as follows:

- The Energy Policy Act of 1992,
- The Taxpayer Relief Act of 1997, and
- The Transportation Equity Act for the 21st Century (TEA-21), passed in 1998.

In addition to changes in the tax code that affect employees nationwide, the federal government has undertaken important actions to expand commuter benefits to federal employees and to encourage public and private-sector employers to adopt commuter benefits. Figure A-1 provides a timeline of the key legislative events that have shaped commuter benefits programs nationally.

These milestones are discussed below in chronological order.

Pre-1984 **Parking is taxable, other commuter benefits are untaxed**

Until enactment of the 1984 Tax Reform Act, free parking provided by employers was considered a taxable fringe benefit, but this was not enforced, reportedly because the Internal Revenue Service (IRS) could not determine a basis for the value of the benefit. Other benefits such as transit passes and the value of vans provided by employers were not taxable fringe benefits.

1984 **1984 Tax Reform Act—**
Parking is "qualified fringe benefit," transit passes are *de minimis*

The 1984 Tax Reform Act changed the tax treatment of transportation fringe benefits, with adverse effects on transit/vanpool passes.

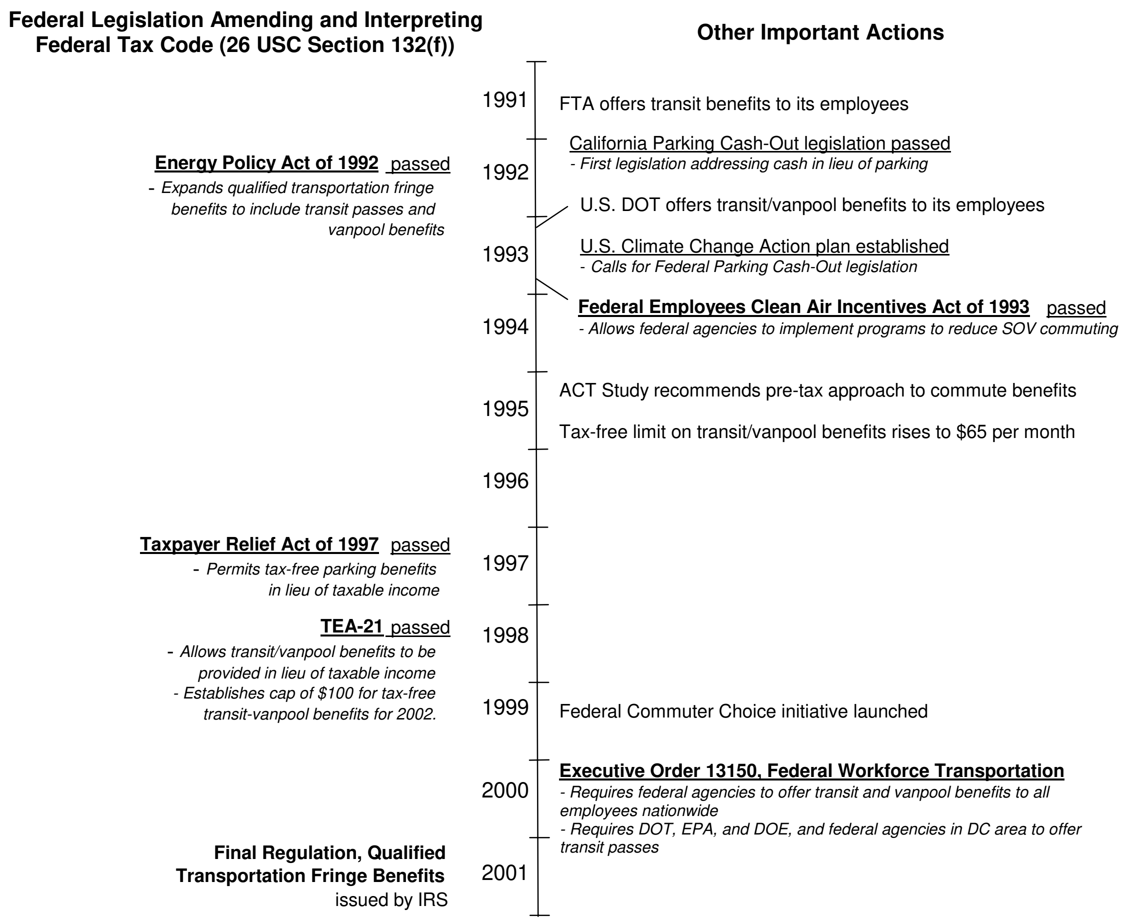

Figure A-1. Timeline of commuter benefits tax law.

Because the IRS could not administer the tax on free parking, parking was exempted and no longer was considered a taxable fringe benefit. Parking, however, became the only tax-exempt *qualified transportation fringe* benefit under the federal tax code.

Transit passes were considered *de minimis* fringe benefits rather than traditional fringe benefits. A *de minimis* benefit is a service or item of such small value or provided so infrequently as to make accounting for it impractical or impossible.[1] As a result, transit benefits were allowed to be offered tax-free to employees as long as they were of small value. The initial *de minimis* value was defined at $15 per month, which was later adjusted by the IRS to $21 per month. If a benefit exceeded this value, the benefit would be considered taxable in its entirety.

1991 FTA offers Transit Benefits to its Employees

In 1991, the Federal Transit Administration (FTA) became the first federal agency to provide transit benefits to its employees. Under the FTA program, employees using mass transit were provided with a $21 per month benefit to help pay for commuter-related expenses.

1992 Energy Policy Act of 1992

In 1992, Congress passed the Energy Policy Act of 1992 (Pub. L. No. 102-486). This Act was important in that it expanded the term *qualified transportation fringe* benefit to include transit passes and transportation in commuter highway vehicles (i.e., vanpools) in addition to qualified parking. As a result, it allowed the employer, for the first time, to offer vanpool benefits tax-free.[2]

[1] Examples of *de minimis* benefits include occasional personal use of a company copying machine, occasional parties or picnics for employees, occasional taxi fare for employees working overtime, occasional tickets for entertainment events, coffee and donuts furnished to employees, and group-term life insurance provided by the employer for a spouse or dependent of the employee with a face amount of $2,000 or less.

[2] The term "commuter highway vehicle" was defined as a highway vehicle with a seating capacity of at least six adults (not including the driver), and for which at least 80 percent of the mileage can reasonably be expected to be (1) for purposes of transporting employees between their residences and place of employment and (2) on trips during which the number of employees transported for such purposes is at least one-half of the adult seating capacity of such vehicle (not including the driver).

It also allowed transit passes to be provided to employees tax-free at a higher value than allowed for a *de minimis* fringe.

The Act imposed a tax-free limit of $60 per month on transit and vanpool benefits and $155 per month for qualified parking. It provided an inflation adjustment to these limits based on changes in the consumer price index (CPI). Increases were to rise in increments of $5, with such increases rounded to the next lowest multiple of $5. In order to receive tax-free status, all benefits were required to be offered in addition to (and not in lieu of) salary. Cash reimbursements for transit expenses would only be allowed if a voucher or similar item, which may be exchanged only for a transit pass, is "not readily available for direct distribution by the employer to the employee." The Act applied to benefits provided after December 31, 1992.

1992 California Parking Cash-Out Legislation

In 1992, the State of California enacted legislation (California Health and Safety Code section 43845) requiring that certain employers offer their employees a choice between parking at work or of "cashing out" the value of the parking space by receiving a taxable cash payment from the employer. The legislation, its history, and implications, are discussed in the next section of this appendix on state legislation. It is noted here, however, as a national milestone because it was the first legislation requiring certain employers to offer employees the option to cash out parking.

The law was not enforced, however, because federal tax code required that, in order to receive tax-free status, transportation fringe benefits must be offered in addition to (and not in lieu of) salary. As a result, federal tax law precluded an employer from offering cash in lieu of a tax-free parking space. If any employee were offered the option of cash instead of a parking space, then the value of the parking space would become a taxable benefit to all employees keeping the parking. The recognition that federal law precluded a "win-win" solution such as parking cash-out was a major impetus for efforts to change the federal tax code to allow for the option of tax-free parking benefits in lieu of taxable income.

1993 U.S. DOT offers Transit/Vanpool Benefits to its Employees

Following the passage of the Energy Policy Act, the Department of Transportation became the first agency in the executive branch of the federal government to offer the full $60 transit/vanpool fringe benefit nationally to its employees.

U.S. Climate Change Action Plan calls for Parking Cash Out

In October 1993, the Clinton Administration released the U.S. Climate Change Action Plan (CCAP), which identified 44 measures to respond to the threat of global warming while also strengthening the economy. The CCAP summary called for preparing legislation *providing workers the option of receiving the cash value of employer-paid parking* as a financial incentive to reduce solo commuting. The detailed description of CCAP Action #19, Reform the Federal Tax Subsidy for Employer-Provided Parking, suggested that the measure would be mandatory: "The Administration will shortly propose changes in the tax law necessary to bring about parking subsidy reform, and will work with Congress to ensure speedy passage. The change will require employers who pay for employee parking to offer also the choice of an equivalent cash payment or a tax-free transit pass." The CCAP also proposed that the requirement apply only to certain types of leased parking, and only to firms with more than 25 employees.

Although the CCAP's plan for a form of mandatory cash out was not ultimately enacted, CCAP was important in acknowledging parking cash out as an untapped option for reducing vehicle commuting while benefiting employees and the economy. The Plan recognized that allowing workers who receive free parking to choose to take the benefit in the form of taxable income would increase commuter freedom of choice. Meanwhile, the program would not affect employees who continue to use free parking, and the incentive would not increase the cost of doing business since employer-provided parking would still be deductible from corporate taxes. The program was also identified as a federal tax revenue generator, because increased tax receipts would be collected from employees choosing to cash out parking.

Federal Employees Clean Air Incentives Act of 1993

Passed on December 2, 1993, the Federal Employees Clean Air Incentives Act permits federal agencies to implement programs to reduce SOV commuting by federal employees. The purpose of this act was to reduce congestion and improve air quality by providing for the establishment of programs to encourage federal employees to commute to work by mass transit and other forms of transportation.

The Act allows each agency of the federal government (including the executive, legislative, and judicial branches) to offer transit pass and commuter highway vehicle subsidies, to set up bicycle and pedestrian facilities for employees, and to provide non-monetary incentives to motivate employees to utilize non-single occupancy vehicle (SOV) transportation. The Act also called for the President to (1) designate one or more agencies to prescribe guidelines for these programs; (2) furnish information or technical advice, on request, on the design and operation of programs; and (3) submit periodic written reports (by January 1, 1995, and then every 2 years thereafter) documenting the implementation of the Act. The reports are to document the number of agencies offering programs, describe these programs, quantify employee participation, and assess environmental or other benefits.

A 2000/2001 report by the General Services Administration on the implementation of this Act found that 55 agencies had some form of commuter choice program, with almost 1.6 million employees participating in these programs. Of these agencies, 54 reported giving mass transit subsidies to their employees and 46 provided bicycle accommodations. Additionally, 54 agencies reported spending a total of $90.9 million on non-monetary incentives for employees.

1995 ACT Study recommends Parking Cash Out and Pre-Tax Approach

In 1995, the Association for Commuter Transportation (ACT) undertook a study funded by the FTA, the Federal Highway Administration (FHWA), and the Environmental Protection Agency (EPA) to examine ways to reduce SOV travel. The study recommended that an important strategy to reduce SOV travel is to allow employers to take a pre-tax approach when implementing commuter choice programs. It also advocated the use of a parking cash-out approach such as the one implemented in California.

Tax-Free Limit on Transit and Vanpool Benefits rises to $65 per Month

In accordance with the inflation adjustment provisions of the Energy Policy Act of 1992, the monthly tax-free limit for commuter highway vehicle and transit passes was raised from $60 to $65.

1997 Taxpayer Relief Act of 1997

The Taxpayer Relief Act of 1997 (Pub. L. No. 105-34) amended the federal tax code to permit qualified parking to be provided in lieu of salary after December 31, 1997. As noted above, the tax code previously stated that transportation fringe benefits could not be taken in lieu of salary. By allowing parking benefits to be taken in lieu of salary, this act removed a major disincentive to implementing parking cash-out programs. Under the Act, employers could now offer their employees the option of accepting taxable cash income in lieu of a parking space at work, while maintaining the tax-free status of the parking benefit. The employer would only have to pay taxes on the cash payment, not the parking benefit.

1998 Transportation Equity Act for the 21st Century (TEA-21)

The Transportation Equity Act for the 21st Century was enacted June 9, 1998, as Public Law 105-178. It amended the IRC to provide that, in years beginning after December 31, 1997, any qualified fringe benefit may be provided to employees in lieu of salary. Just as the Taxpayer Relief Act of 1997 allowed qualified parking benefits to be taken in lieu of income, TEA-21 expanded this to allow transit pass and commuter highway vehicle benefits to be taken in lieu of other monetary compensation.

Therefore, under the IRC, qualified parking, transit, and commuter highway vehicle benefits all qualify as pre-tax transportation fringe benefits. The Act also raised the tax-free limit on transit pass and commuter highway vehicle benefits from $65 to $100 per month, starting in 2002.[3] The limit on tax-free qualified parking benefits was also raised to $175 per month starting in 2002.

All benefits were indexed for inflation; however, the indexing mechanism was suspended for taxable year 1999. Therefore, the maximum transit/vanpool benefits were set to remain at $65 per month and parking at $175 per month for calendar year 1999. The indexing mecha-

[3] As of 1999, the Consumer Price Index adjustment required under the Energy Policy Act of 1992 was no longer used to determine the necessary increase in the monthly tax-exempt limits.

nism was set to resume for the taxable year beginning after December 31, 1999.

1999 Commuter Choice Initiative launched

Vice President Gore announced the kick-off of the federal government's Commuter Choice Initiative. As a part of this initiative, the FTA released the Commuter Choice Toolkit in 2000 to assist employers in implementing commuter choice programs. EPA also initiated a Commuter Choice Leadership Program in 2000.

2000 Executive Order 13150 of April 21, 2000, Federal Workforce Transportation

President Clinton signed Executive Order 13150 on April 21, 2000. This Executive Order (EO) mandates that federal agencies must take various actions to provide incentives for their employees to use mass transit and other non-SOV transportation in their daily commute to work. To ensure that this occurs, the EO set an October 1, 2000, deadline for federal agencies to implement a transportation fringe benefit/commuter choice program. Under these programs, qualified federal employees outside the National Capital Region must be given the opportunity to exclude from taxable income employee commuting costs incurred through the use of mass transit and vanpools. The EO also encourages federal agencies to provide non-monetary incentives to promote non-SOV transportation.

EO 13150 calls for all federal agencies in the National Capital Region (Washington, D.C.) to implement an agency-paid transit pass benefit program by October 1, 2000. It also requires that the Department of Transportation, the Department of Energy, and EPA implement a nationwide, 3-year, agency-paid transit-pass pilot program for all of its employees, not just those working in the National Capital Region. The pilot programs will be studied to determine the effectiveness of transit-pass programs in reducing SOV travel. All federal agencies must follow the EO and adopt plans to implement it, but they also have the freedom to set more stringent requirements than those described in the EO or other legislation.

2001 Final Regulation: Qualified Transportation Fringe Benefits

On January 11, 2001, the Internal Revenue Service issued final regulations concerning qualified transportation fringe benefits and their excludability from employees' gross income.[4] The regulations provide rules to ensure that transportation benefits provided to employees are excludable from gross income and clarify changes to the law promulgated under the Energy Policy Act of 1992, the Taxpayer Relief Act of 1997, and TEA-21. The regulations are written in a question and answer format and include examples for illustrative purposes.

The regulation provides clarification regarding under what circumstances transportation fringe benefits may be provided pursuant to a compensation reduction agreement, the ability to carry over excess amounts to subsequent periods, reporting requirements, and use of cash payments rather than transit vouchers or passes.

STATE AND LOCAL LEGISLATION

Some states and localities have implemented legislation to encourage or require employers to adopt commuter programs to reduce SOV travel by employees. This section addresses some of the more important state legislative actions related to commuter benefits.

California Parking Cash-Out Legislation

In 1992, the State of California enacted legislation (California Health and Safety Code section 43845) requiring that certain employers offer their employees a choice between parking at work or of "cashing out" the value of the parking space by receiving a taxable cash payment from the employer. The California parking cash-out legislation was an important milestone in the legislative history of commuter benefits because it was the first requirement by a state for certain employers to implement a "cash in lieu of parking" program. Conflicts between the California legislation and the federal tax code were important in achieving changes in tax law under the Taxpayer Relief Act of 1997.

The concept of parking cash out was developed by Professor Donald Shoup, at the University of California at Los Angeles, who argued that the Federal Internal Revenue Code created a strong incentive for commuters to drive to work alone by encouraging employers to provide free parking to their employees. Under a parking cash-out policy, employers would be required to offer their employees the option of accepting taxable income in lieu of a parking space so that employees who wish to commute to work without driving

[4] A notice of proposed rulemaking relating to qualified transportation fringe benefits was announced on January 27, 2000 (REG-113572-99). A public hearing was held on June 1, 2000, and written and electronic comments were received. After consideration of the comments, the proposed regulations were adopted as amended by the Treasury to incorporate certain modifications and clarifications.

would also receive a commute benefit. The idea behind parking cash-out was simple: given the choice between a parking space and cash income, many people would take the cash and give up driving to work.

Studies conducted by Dr. Shoup showed that parking cash out would result in reduced traffic congestion and air pollution because employees would be less inclined to drive to work alone and more likely to use mass transit and other options. Employees would be better off because they would be given more choice. Government tax revenues would increase because the cash that would be offered in lieu of parking would be taxable. The program would not cost employers anything except for taxes on the income that is cashed out if they could reduce the amount of parking they lease to reflect their reduced parking needs.

The California parking cash-out legislation focused on the employers that could most readily cash out their parking spaces. It limited its requirement to only large employers that

- Employ at least 50 people;
- Have locations in nonattainment areas (according to California's air quality standards);
- Subsidize employee parking in parking spaces that the company does not own, but rather rents or leases;
- Are able to calculate the cost of the parking subsidies provided to employees; and
- Are not involved in lease agreements that would penalize the employer for reducing the number of parking spaces utilized.

Although the California parking cash-out legislation was passed in 1993, the law was not initially enforced or implemented because of conflicts with federal tax code. Prior to the passage of the Taxpayer Relief Act of 1997, the Internal Revenue Code prohibited companies from offering parking as a tax-exempt fringe benefit if they offered the option of cash in lieu of the parking benefits. The inability to implement the California parking cash-out program was a strong impetus for changing the federal tax code. Because of changes made to the IRC under the Act, other companies and areas are now able to implement parking cash-out programs similar to those mandated under the California law.

Tax Incentives for Traffic Reduction Programs

Several states have implemented tax incentives to encourage employers to adopt programs to encourage employees to commute to work without using a single-occupancy vehicle. Many of these programs were passed prior to the passage of TEA-21 and address a broad range of transportation alternatives.

Delaware

Under the State's Travelink Tax Credit Program, employers with approved Travelink plans/programs can receive either a 10-percent tax credit based on the direct cost of developing, implementing, and maintaining a program; a credit based on the ratio of commuter trip reductions versus commuter trips generated; or a credit of $250 per commuter trip reduced (whichever results in the smallest amount). A program's direct costs include expenditures for acquisition and maintenance of employer-provided vehicles, administrative costs, and capital costs.

Connecticut

Legislation was passed in 1994 in the State of Connecticut whereby employers in Connecticut with 100 or more employees are eligible for a tax credit for any taxable year after January 1, 1997. The credit is equal to 50 percent of the employer's direct costs for implementing a traffic reduction program, up to a limit of $250 per participating employee. For a program to be eligible, it must have been implemented after January 1, 1995. The total amount of credits available each year to corporations under this program is $1.5 million.

Oregon

In 1997, the State of Oregon passed legislation authorizing a tax credit equal to 35 percent of eligible project costs to employers under the Oregon Business Energy Tax Credit Program. Eligible projects under this program include not only those involving commuter reduction, but also investments by employers in cleaner-fuel vehicles; participation in various conservation and renewable energy projects and recycled materials markets; and involvement in the research and development of new, energy-efficient technologies. Eligible commuter reduction programs must decrease work-related travel by at least 25 percent and eligible costs include those resulting from telecommuting programs, provision of transit passes, commuter pool vehicle arrangements, financial incentive programs, bicycle projects, and transportation organization membership dues. The credit is taken over 5 years, with 10 percent taken the first and second years and 5 percent taken in each subsequent year.

New Jersey

The Smart Moves for Business Tax Credit Program, passed in 1998, provides a tax credit to eligible corporations equal to either 10 percent of the costs attributed to implementing an authorized commuter transportation benefits plan/report or up to $115 per participating employee. For partnerships or limited liability corporations, the program provides a tax credit of either 143 percent of the costs attributed to implementing an authorized commuter transportation benefits plan/report or up to $1,642 per participating employee. For each type of employer, the tax credit is taken for the smaller amount of the two calculations. Similar to the program in Maryland, employers can elect to which tax the credit is applied.

Although these are the current New Jersey regulations, recent proposals in the General Assembly could change the program's provisions. For example, under the proposal, certain types of authorized plans could receive a tax credit equal to 15 percent of costs, instead of 10 percent. The proposed regulation would also change the per employee tax limits, the way tax credits to partnerships are calculated, and how the tax credits are distributed between different types of taxes.

Tax Credits for Qualified Transportation Fringe Benefits

A few states have implemented tax incentive programs focused specifically on transit and vanpool benefit programs to encourage employers to provide these benefits to their employees.

Maryland

In the 1999 legislative session, the Maryland General Assembly passed a tax credit for providing commuter benefits to employees. The Maryland Commuter Tax credit provides employers with a 50-percent tax credit (up to a $30 tax credit per employee per month limit) for provision of transit passes, vanpool benefits, and reimbursement for carpooling expenses. After they are approved for the tax credit, employers can elect to which tax they wish to apply the credit, such as the state income tax, the financial institution franchise tax, or the insurance premium tax. The tax credit essentially subsidizes the implementation of commuter benefits; it is broader, however, than the transit/vanpool benefits specified under the federal tax code because it also includes expenses used to offset the monthly cost of employees carpooling together. The credit took effect July 1, 1999, for taxable years beginning after December 31, 1999.

The legislation was passed with strong support from an unusual coalition of business and environmental groups. Proponents of the bill included the Maryland Chamber of Commerce, the Environmental Defense Fund, the Greater Washington Board of Trade, the Washington Metropolitan Area Transit Authority (WMATA), the Maryland Department of Transportation, the Chesapeake Bay Foundation, the Coalition for Smarter Growth, the Center for Clean Air Policy, the Citizens Planning and Housing Association, 1000 Friends of Maryland, the Action Committee for Transit, the Annapolis Regional Transportation Management Association, BWI Business Partnership, Inc., and others. The benefits of the program were clearly recognized by both the environmental community and the businesses that would benefit from tax savings.

Because of the positive response to the legislation, the General Assembly expanded this tax credit to cover additional commuter benefits in the 2000 legislative session. The Commuter Benefits Act of 2000 allows a credit against specified state taxes for employers who provide employees a cash-in-lieu-of-parking program or a guaranteed ride home. It also allows specified tax-exempt organizations to apply tax credits allowed for employer-provided commuter benefits as a credit against the payment of employee withholding taxes required to be withheld from employee wages and required to be paid to the Comptroller. Finally, it required that a report be submitted by the Maryland Department of Transportation and Maryland Department of the Environment, in conjunction with the Comptroller's Office, to assess the success of the program in helping to achieve compliance with statewide air quality standards, reduce traffic congestion, and increase transit ridership. The expanded tax credit took effect July 1, 2000, and for taxable years after December 31, 2000.

Georgia

In 1999, the Georgia state legislature passed, and the Governor signed, legislation establishing a tax credit for employers who provide designated transportation fringe benefits to employees. Eligible fringe benefits include transit passes, transportation in a commuter highway vehicle between an employee's residence and place of employment (e.g., vanpool benefits), and qualified parking on or near a location from which an employee commutes to work in a vanpool or carpool. The Act became effective January 1, 2001.

Under the law, employers can receive an annual $25 tax credit for each employee receiving a transportation fringe benefit, as long as the tax credit does not exceed the amount of money spent by the employer in providing the benefit. Also, the benefit must be used at least 10 days per month.

Minnesota

In the 1999-2000 state legislative session, the Minnesota legislature passed a tax credit for employers who provide transit passes to their employees. Tax credits can be received by employers who provide employees with transit passes (for use in Minnesota only) for transportation via either a public or privately owned mass transit facility or by a person in the business of transporting people for compensation or hire. Vehicles hired to transport employees must seat at least six people (not including the driver). The credit is equal to 30 percent of the difference between what the employer pays for the passes and what employees are charged for the passes. The credit is nonrefundable and can only be used in the current tax year. The types of organizations eligible for the tax credit include C corporations, S corporations, sole proprietors, insurance companies, fiduciaries, and nonprofit organizations. The legislation allowed for the tax credit to be taken for taxable years beginning after December 31, 1999.

Commute Benefits for State and Local Government Employees

Since President Clinton signed Executive Order 13150 requiring all federal agencies to offer pre-tax transit/vanpool benefits, some state and local governments also have undertaken efforts to implement commuter benefits programs for their employees. In some cases, authorizing legislation or executive orders have been initiated. Also, negotiations with unions have been seen as another way to increase commuter benefits for employees.

Georgia

The State of Georgia began offering all of its employees the opportunity to pay for vanpool or qualified parking expenses or purchase the MARTA Transcard using a pre-tax deduction. Recognizing that many state employees working outside the metropolitan Atlanta area do not have their commuter-related expenses taken as a payroll deduction, the State is currently debating whether to add a Flexible Spending Commuter Reimbursement Account to the list of benefits that employees can receive.

Virginia

On August 23, 2000, Virginia's Governor James Gilmore issued an executive order to establish the Commonwealth commuter benefits program. Under this program, and as required by the Governor's Executive Order, all state agencies located in northern Virginia are now required to offer a tax-free qualified transportation fringe benefit to their employees who commute to work via vanpool or mass transit. The deadline for implementation of the Executive Order by state agencies was set as October 1, 2000. The Executive Order also strongly encourages state agencies located beyond Northern Virginia to implement similar transportation benefit programs for their employees.

Maryland

As of January 1, 2001, Maryland state employees working in the Baltimore area are allowed to ride the mass transit system for free. The provision of this transit benefit is part of a pilot program, which resulted from a collective bargaining agreement between the state and five unions. Approximately 9,000 state employees, or 5 percent of all passengers, use the Baltimore area mass transit system each day. As a result of this program, the Mass Transit Administration expects to lose between $3 million and $6 million in fare revenue annually. However, if the pilot program is successful in expanding ridership, the State hopes to expand it in upcoming years.

New York City & Westchester County, New York

Following an executive order issued by New York City's Mayor Giuliani, employees of the City of New York recently became eligible to participate in the TransitChek program. The program allows City employees to purchase a monthly TransitChek MetroCard using pre-tax income, resulting in annual tax savings for employees of more than $200 each year. The program was phased in, starting with a pilot group of about 3,200 employees in New York City's Finance, Parks, and Fire Departments. About 89,000 employees from other large city agencies such as the Department of Health and the Department of Environmental Protection were initiated into the benefits program by the end of summer 2000, making New York City the largest employer in the United States offering transit benefits.

Since 1999, Westchester County, New York, has offered the same TransitChek benefit to its employees.

PROPOSED LEGISLATION

Federal Legislative Proposals

Commuter Benefits Equity Act

Early in 2000, the Commuter Benefits Equity Act was introduced in the U.S. House of Representatives and the U.S. Senate. The Act would amend the Internal Revenue Code of 1986 by increasing the monthly tax-free limit on transit and vanpool subsidies from $65 to $175. The proposed increase is intended to make the tax-free limit on transit and vanpool benefits equivalent to that of qualified parking benefits. By raising the limit, there would be a greater incentive for employees to use mass transit and vanpools to travel to work, rather than driving lower occupancy vehicles. It would also create an equitable set of commuter benefits regardless of what qualified benefit is selected.

It is expected that this change would be especially beneficial to commuters in large metropolitan areas where $65 per month (or even $100 per month) is insufficient to cover total monthly transit commuting costs.

It is expected that the bill will be reintroduced in the 2001 session of Congress.

Selected State Legislative Proposals

This section identifies legislative proposals that were considered in 2000 or 2001 but not passed by state legislatures, as well as proposals anticipated to be brought to vote in the year 2001. It is not meant to be exhaustive of all legislative proposals but highlights some important ones. These proposals were identified based on contacts with transportation professionals using the TRANSP-TDM listserve, web searches, and personal contacts with representatives of groups working to support commuter benefits.

California

In the 2000 California Legislative Session, Senate Bill 1427 was introduced, which called for employer tax credits for the cost paid or incurred for providing subsidized transit passes for employees. Sponsored by State Senator Richard Rainey, the legislative bill called for differential tax credits based on the provision of subsidized parking by an employer. Under the bill, the tax credit would apply to the taxable years beginning after January 1, 2000, and before January 1, 2005. The amount of the credit would depend on the employer's treatment of parking:

- 40 percent if employer provides no free or subsidized parking,
- 20 percent if employer provides subsidized parking, or
- 10 percent if employer provides free parking.

The proposal failed in Committee, was amended, and reconsideration granted. Testimony was taken, but the bill was not passed within the legislative session.

Prior law for tax years 1989 through 1995 allowed employers a tax credit of 10 to 40 percent of the cost of providing subsidized transit passes to employees (depending on whether the employer offered free or subsidized parking) and a tax credit for the purchase or lease of shuttle or commuter vehicles as part of an employer-sponsored ridesharing incentive program (20 percent for an employer with 200 or more employees and 30 percent for an employer with fewer than 200 employees). The prior tax credit was authorized for 7 years and ended in 1995. Since then, bills have been introduced in the 1995–96, 1997–98, and 1999–2000 sessions to restore tax credits for transit benefits; however, they have not been passed. The most recent proposal is substantially similar to the earlier law, but also requires reporting of transit passes issued and transit ridership.

Georgia

The state tax credit for commuter benefits that was passed in 1999 was extremely limited: it provides for only a $25 *per year* tax credit for each employee offered qualified commuter benefits. Given the low level of the credit in relation to the $65 *per month* limit on tax-free transit/vanpool benefits, advocates have suggested increasing the tax credit value. It is expected that legislation will be considered in the 2001 session of the state legislature to increase the tax credit. A bill (HB 167) has also been introduced in the 2001 session of the General Assembly to enact a substantial tax credit for employers who implement telecommuting programs for their employees.

New Jersey

New Jersey adopted legislation in July 2001 that allows employers to take a tax credit of 10 percent on commuter benefits programs, up to $100 per employee ($120 per employee after January 2002). The total tax credit cannot exceed 50 percent of the employer's annual tax liability. The same legislation also allowed state agencies to offer commuter benefits to their employees. Finally, for purposes of calculating state income taxes, the legislation sets a tax-free limit of $1,000 annually, adjusted by the Consumer Price Index (higher than the federal limit of $780). However, this figure rises to $1,200 in 2002, bringing it into line with federal law.

Connecticut

In October 2000, Connecticut Governor John Rowland announced his plan to offer pre-tax transit benefits to state employees. This announcement came at a meeting of the Stamford Chamber of Commerce. The state already has a similar program for non-government employees entitled "Deduct-a-Ride," which began operations and started providing tax-free transit benefits in 1999.

INTERNAL REVENUE CODE SECTION 132(F) (as amended by TEA-21)

The section below contains the tax code that governs federal tax policy on commuter benefits:

(f) Qualified transportation fringe

(1) In general

For purposes of this section, the term "qualified transportation fringe" means any of the following provided by an employer to an employee:

(A) Transportation in a commuter highway vehicle if such transportation is in connection with travel between the employee's residence and place of employment.

(B) Any transit pass.

(C) Qualified parking.

(2) Limitation on exclusion

The amount of the fringe benefits which are provided by an employer to any employee and which may be excluded from gross income under subsection (a)(5) shall not exceed—

(A) $65 per month in the case of the aggregate of the benefits described in subparagraphs (A) and (B) of paragraph (1), and

(B) $175 per month in the case of qualified parking.

(3) Cash reimbursements

For purposes of this subsection, the term “qualified transportation fringe” includes a cash reimbursement by an employer to an employee for a benefit described in paragraph (1). The preceding sentence shall apply to a cash reimbursement for any transit pass only if a voucher or similar item which may be exchanged only for a transit pass is not readily available for direct distribution by the employer to the employee.

(4) No constructive receipt

No amount shall be included in the gross income of an employee solely because the employee may choose between any qualified transportation fringe and compensation which would otherwise be includible in gross income of such employee.

(5) Definitions

For purposes of this subsection—

(A) Transit pass The term “transit pass” means any pass, token, farecard, voucher, or similar item entitling a person to transportation (or transportation at a reduced price) if such transportation is—

(i) on mass transit facilities (whether or not publicly owned), or

(ii) provided by any person in the business of transporting persons for compensation or hire if such transportation is provided in a vehicle meeting the requirements of subparagraph (B)(i).

(B) Commuter highway vehicle. The term “commuter highway vehicle” means any highway vehicle—

(i) the seating capacity of which is at least 6 adults (not including the driver), and

(ii) at least 80 percent of the mileage use of which can reasonably be expected to be—

(I) for purposes of transporting employees in connection with travel between their residences and their place of employment, and

(II) on trips during which the number of employees transported for such purposes is at least ½ of the adult seating capacity of such vehicle (not including the driver).

(C) Qualified parking. The term “qualified parking” means parking provided to an employee on or near the business premises of the employer or on or near a location from which the employee commutes to work by transportation described in subparagraph (A), in a commuter highway vehicle, or by carpool. Such term shall not include any parking on or near property used by the employee for residential purposes.

(D) Transportation provided by employer. Transportation referred to in paragraph (1)(A) shall be considered to be provided by an employer if such transportation is furnished in a commuter highway vehicle operated by or for the employer.

(E) Employee. For purposes of this subsection, the term “employee” does not include an individual who is an employee within the meaning of section 401(c)(1).

(6) Inflation adjustment

(A) In general

In the case of any taxable year beginning in a calendar year after 1999, the dollar amounts contained in subparagraphs (A) and (B) of paragraph (2) shall be increased by an amount equal to—

(i) such dollar amount, multiplied by

(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting “calendar year 1998” for “calendar year 1992”.

(B) Rounding

If any increase determined under subparagraph (A) is not a multiple of $5, such increase shall be rounded to the next lowest multiple of $5.

(7) Coordination with other provisions

For purposes of this section, the terms “working condition fringe” and “de minimis fringe” shall not include any qualified transportation fringe (determined without regard to paragraph (2)).

FINAL IRS REGULATION: QUALIFIED TRANSPORTATION FRINGE BENEFITS

This section contains the Final IRS regulation pertaining to qualified transportation fringe benefits, issued in January, 2001.

DEPARTMENT OF THE TREASURY

Internal Revenue Service (IRS)

26 CFR Parts 1 and 602

[TD 8933]

RIN 1545-AX33

Qualified Transportation Fringe Benefits

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulation.

SUMMARY: This document contains final regulations relating to qualified transportation fringe benefits. These final regulations provide rules to ensure that transportation benefits provided to employees are excludable from gross income. These final regulations reflect changes to the law made by the Energy Policy Act of 1992, the Taxpayer Relief Act of 1997, and the Transportation Equity Act for the 21st Century. These final regulations affect employers that offer qualified transportation fringes and employees who receive these benefits.

DATES: Effective Date: These regulations are effective January 11, 2001.

Applicability Date: For dates of applicability, see Sec. 1.132-9(b), Q/A-25.

FOR FURTHER INFORMATION CONTACT: John Richards, (202) 622-6040 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Paperwork Reduction Act

The collection of information contained in these final regulations has been reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3507) under control number 1545-1676. Responses to this collection of information are mandatory to obtain the benefit described under section 132(f).

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget.

The estimated average annual recordkeeping burden per recordkeeper is 26.5 hours. The estimated annual reporting burden per respondent is .8 hours.

Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be sent to the Internal Revenue Service, Attn: IRS Reports Clearance Officer, W:CAR:MO:FP:S:O, Washington, DC 20224, and to the Office of Management and Budget, Attn: Desk Officer for the Department of the Treasury, Office of Information and Regulatory Affairs, Washington, DC 20503.

Books or records relating to a collection of information must be retained as long as their contents might become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

Background

This document contains amendments to 26 CFR part 1 (Income Tax Regulations). On January 27, 2000, a proposed regulation (REG-113572-99) relating to qualified transportation fringes was published in the Federal Register (65 FR 4388). A public hearing was held on June 1, 2000. Written or electronic comments responding to the notice of proposed rulemaking were received. After consideration of all the comments, the proposed regulations are adopted as amended by this Treasury decision. The revisions are discussed below.

Explanation of Provisions and Summary of Comments

In general, comments received on the proposed regulations were favorable and, accordingly, the final regulations retain the general structure of the proposed regulations, including the question and answer format and a variety of examples illustrating the substance of the final regulations. However, commentators made a number of specific recommendations for modifications and clarifications of the regulations. In response to these comments, the final regulations incorporate the modifications and clarifications described below.

A. Whether Vouchers are Readily Available

Section 132(f)(3) provides that qualified transportation fringes include cash reimbursement for transit passes "only if a voucher or similar item which may be exchanged only for a transit pass is not readily available for direct distribution by the employer to the employee." Thus, if vouchers are readily available, the employer must use vouchers and cash reimbursement of a mass transit expense would not be a qualified transportation fringe. Most of the comments received addressed the issue of whether vouchers are "readily available." Commentators representing employers generally favored rules permitting cash reimbursement. Commentators representing transit operators and voucher providers generally favored rules not permitting cash reimbursement. The following discusses three issues raised by commentators: first, whether the proposed regulations' 1 percent safe harbor should be retained; second, whether internal administrative costs should be considered in applying the 1 percent test; and third, whether other nonfinancial restrictions should be considered in determining whether vouchers are readily available.

1. The 1 Percent Safe Harbor

Under Notice 94-3, 1994-1 C.B. 327, and the proposed regulations, a voucher is readily available if an employer can obtain it on terms no less favorable than those available to an individual employee and without incurring a significant administrative cost. Under the proposed regulations, administrative costs relate only to fees paid to fare media providers, and the determination of whether obtaining a voucher would result in a significant administrative cost is made with respect to each transit system voucher. The proposed regulations provide a rule under which administrative costs are treated as significant if the average monthly administrative costs incurred by the employer for a voucher (disregarding delivery charges imposed by the fare media provider to the extent not in excess of $15 per order) are more than 1 percent of the average monthly value of the vouchers for a system.

Commentators, in particular those representing fare media providers and transit operators, suggested that the fare media provider fee percentage causing vouchers to not be readily available should be raised because many fare media providers charge fees in excess of the 1 percent limit and, thus, under this

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test, transit vouchers would not be considered readily available in some large metropolitan areas. These commentators assert that the 1 percent test is therefore contrary to the intent of the statute. Commentators suggested that the 1 percent test, particularly if combined with inadequate cash reimbursement substantiation requirements, may result in taxpayer abuse, with the result that the benefit might not be used for the purpose for which it is intended, which is to increase the use of mass transit. In addition, commentators testified at the public hearing that the mandatory use of vouchers (with no ability to use cash reimbursement if vouchers are readily available) would increase the use of vouchers and promote the development of advanced technologies that minimize the burden on employers while ensuring that the benefit is used for mass transit. These new technologies might allow an employer to make payment directly to the transit operator, who in turn credits fare to the employee's magnetic media fare card, thus eliminating the need for employers to incur the expense of distributing vouchers.

Other commentators, in particular groups representing employers, generally favored the 1 percent test, but suggested that internal costs be considered in applying the test (discussed below). These commentators took the position that an increase in the percentage might affect the market charge for such services. There was also a concern that a strict voucher-use requirement would result in fewer employers adopting transit pass programs, thus frustrating the purpose of section 132(f) to increase the use of mass transit. The final regulations retain the 1 percent test. The 1 percent test, applicable for years beginning after December 31, 2003, is appropriate in light of the rule (discussed below) that only voucher provider fees are considered in determining availability. It is intended that the delayed application of this rule would provide sufficient time for those affected by this rule to modify their systems and procedures appropriately. The 1 percent threshold, coupled with the exclusion of internal administrative costs from the readily available determination, represents a balanced approach that will promote the growth of voucher programs in most transportation areas. In addition, raising the percentage threshold could curtail the growth in transit benefit programs, which would be contrary to the goal of increasing the use of mass transit. Finally, in cases where cash reimbursement is allowed, adequate substantiation requirements will ensure that transit pass benefits will actually go toward mass transportation usage. In this regard, the proposed regulations provide that employers must implement reasonable procedures to ensure that an amount equal to the reimbursement was incurred for transit passes. For example, the final regulations clarify that in circumstances when employee certification is a reasonable reimbursement procedure, it must occur after the expense is incurred.

The final regulations also clarify the application of the 1 percent rule if multiple vouchers for a transit system are available for distribution by an employer to employees, and if multiple transit system vouchers are required in an area to meet the transit needs of an employer's employees. The final regulations provide that if multiple transit system vouchers are available for direct distribution to employees, the employer must consider the lowest cost voucher for purposes of determining whether the voucher provider fees cause vouchers to not be readily available. However, if multiple vouchers are required in an area to meet the transit needs of the individual employees in that area, the employer has the option of averaging the costs applied to vouchers from each system for purposes of determining whether the voucher provider fees cause vouchers to not be readily available.

2. Internal Administrative Costs

Several commentators representing employers recommended that, in addition to fare media provider fees, internal administrative costs, especially security and distribution costs, should be considered in determining whether vouchers are readily available. These commentators noted that administrative costs are increased when an employer must maintain both a voucher system and a reimbursement system to provide qualified transportation fringes. For example, the employer may maintain a cash reimbursement system for transportation in a commuter highway vehicle and qualified parking, and also maintain a voucher system for transit passes. In addition, several commentators suggested that the increased costs and administrative burden for employers that maintain offices in multiple cities should also be considered in determining whether vouchers are readily available.

The final regulations retain the test considering only fees paid to voucher providers in determining availability based on a plain reading of the terms of the statute. The language "readily available for direct distribution by the employer to the employee" under section 132(f)(3) in its plain, ordinary sense means that vouchers are easily obtainable for direct distribution to the employer's employees. The determination of availability bears no relationship with costs that may be incurred after vouchers have been obtained. The service fees charged by voucher providers and delivery costs can reasonably be viewed as affecting whether vouchers are easily obtainable; an employer's internal costs of subsequently administering a voucher program would not. Thus, based upon the plain language of section 132(f), internal administrative costs do not affect whether vouchers are readily available. Moreover, the test considering only voucher provider fees is a comparatively simple bright line test. A test that depends on the employer's internal administrative costs would necessarily be complex, requiring complex rules that would be difficult for employers to apply.

3. Other Nonfinancial Restrictions

Commentators representing employers suggested that nonfinancial factors should be considered in determining whether vouchers are readily available. They suggested that factors such as whether there are reasonable advance purchase and minimum purchase requirements, and whether vouchers can be purchased in appropriate denominations, should be considered in determining availability. The final regulations adopt this suggestion because nonfinancial restrictions would reasonably affect whether vouchers are available for distribution by an employer to an employee.

The final regulations provide guidance on the types of nonfinancial restrictions that cause vouchers to not be readily available. The final regulations provide that certain nonfinancial restrictions, such as a voucher provider not making vouchers available for purchase at reasonable intervals or failing to provide the vouchers within a reasonable period after receiving payment for the voucher, cause vouchers to not be readily available. In addition, if a voucher provider does not provide vouchers in reasonably appropriate quantities, or in reasonably appropriate denominations, vouchers may not be readily available.

When and as the standards in these final regulations go into effect, they will supercede the current law standards in Notice 94-3.

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B. Advance Transit Passes

Commentators suggested that the administration of transit pass programs would be improved if vouchers were permitted to be distributed in advance for more than one month. The final regulations adopt this suggestion. In October of this year, the IRS issued Announcement 2000-78 (2000-43 I.R.B. 428) to notify taxpayers that, when finalized, the regulations will clarify that transit passes may be distributed in advance for more than one month (such as for a calendar quarter) by taking into account the monthly limits for all months for which the transit passes are distributed. The announcement further provides, however, that if an employee receives advance transit passes, and the employee's employment terminates before the beginning of the last month of the period for which the transit passes were provided, the employer must include in the employee's wages, for income and for employment tax purposes (FICA, FUTA, and income tax withholding), the value of the passes provided for those month(s) beginning after the employee's employment terminates to the extent the employer does not recover those transit passes or the value of those passes. The announcement provides that pending the issuance of these final regulations, employers may rely on the announcement.

The final regulations differ from the announcement in one respect. In any case in which transit passes are provided in advance for a period of no more than three months (such as for a calendar quarter), but the recipient ceases to be an employee before the beginning of the last month in that period, the final regulations provide that the value of a transit pass provided in advance for a month is excluded from wages for employment tax (FICA, FUTA, and income tax withholding) purposes (but not for income tax purposes) unless at the time the transit passes were distributed there was an established termination date that was before the beginning of the last month of that period and the employee does in fact terminate employment before the beginning of the last month of that period.

C. Qualified Parking

The final regulations address whether reimbursement paid to an employee for parking at a work location away from the employee's permanent work location is excludable from wages for income and employment tax purposes under section 132(f). Section 132(f)(5)(C) defines qualified parking, in part, as "parking provided to an employee on or near the business premises of the employer * * * ." The final regulations provide that qualified parking includes parking on or near a work location at which the employee performs services for the employer. However, qualified parking does not include reimbursement for parking that is otherwise excludable from gross income as a reimbursement treated as paid under an accountable plan under Sec. 1.62-2 of the Income

Tax Regulations, or parking provided in kind to an employee that is excludable from the employee's gross income as a working condition fringe under section 132(a)(3). Thus, if the exclusion at Sec. 1.62-2 or section 132(a)(3) is available (even if not reimbursed by the employer), then section 132(f) does not apply.

Whether a reimbursement for local transportation expenses, including parking at a work location away from the employee's permanent work location, is excludable from the employee's gross income under Sec. 1.62-2, or whether parking provided in kind to an employee is excludable from the employee's gross income under section 132(a)(3), is determined based upon whether the parking expenses would be deductible if paid or incurred by the employee under section 162(a) as an expense incurred in the employee's trade or business of being an employee for the employer. Secs. 1.62-2(d); 1.132-5(a)(2). Revenue Ruling 99-7 (1999-1 C.B. 361) addresses under what circumstances daily transportation expenses, including parking, incurred by a taxpayer in going between the taxpayer's residence and a work location are deductible by the taxpayer under section 162(a).

The final regulations provide the minimum requirements to ensure that transportation benefits are qualified transportation fringes under section 132(f). An employer may have a transit benefit program that is more restrictive than a program meeting the minimum requirements under the regulations. In addition, these regulations do not affect the application of authorities outside the Internal Revenue Code which may restrict a transportation benefit program. Federal Government agencies, for example, may be required by other federal law to implement restrictions beyond those required under these regulations.

D. Applicability Date

The regulations are generally applicable for taxable years beginning after December 31, 2001. However, in order to provide a transition period for those affected by the 1 percent rule (described under "T 1 percent safe harbor" in this preamble), that rule is applicable for taxable years beginning after December 31, 2003.

Effect on Other Documents

The following document is obsolete as of January 11, 2001:

Announcement 2000-78 (2000-43 I.R.B. 428).

The following document is modified as of the date these regulations become applicable (see Q/A-25): Notice 94-3 (1994-1 C.B. 327).

Special Analyses

It has been determined that this Treasury Decision is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations. A final regulatory flexibility analysis has been prepared for the collection of information in this Treasury decision under 5 U.S.C. 604. A summary of the analysis is set forth in this preamble under the heading "Summary of Final Regulatory Flexibility Analysis."

Summary of Final Regulatory Flexibility Analysis

This analysis is required under the Regulatory Flexibility Act (5 U.S.C. chapter 6). The collection of information under this rule is based upon the requirements under section 132(f). We estimate that approximately 265,000 employers that provide qualified transportation fringes to their employees will be affected by the recordkeeping requirements of this rule. None of the comments received in response to the notice of proposed rulemaking specifically addressed the initial regulatory flexibility analysis.

Section 132(f)(3) provides that qualified transportation fringes may be provided in the form of cash reimbursement. The legislative history indicates that an employer providing cash reimbursement to the employer's employees for qualified transportation fringes must establish a bona fide reimbursement arrangement. As a condition to providing cash reimbursement for qualified transportation fringes, this rule provides that employers must receive substantiation from employees. The objective of this rule is to ensure that reimbursements are made for qualified transportation fringes.

Whether an arrangement constitutes a bona fide reimbursement arrangement varies depending on the facts and circumstances, including the method or methods of payment utilized within a mass transit system. An employee certification in either written or electronic form may be sufficient depending upon the facts and circumstances. For example, if receipts are not provided in the ordinary course of business, such as with respect to metered parking or used transit passes that cannot be returned to the user, an employee certification that expenses have been incurred constitutes a reasonable reimbursement procedure. A certification that expenses will be incurred in the future, by itself, is not a reasonable reimbursement procedure. There are no particular professional skills required to maintain these records.

In addition, section 132(f)(4) provides that an employee may choose between cash compensation and qualified transportation fringes. This rule provides that an employer may allow an employee the choice to receive either a fixed amount of cash compensation at a specified future date or a fixed amount of qualified transportation fringes to be provided for a specified future period (such as qualified parking to be used during a future calendar month). This rule provides that employers must keep records with respect to employee compensation reduction elections. An employee's election must be in writing or some other permanent and verifiable form, and include the date of the election, the amount of compensation to be reduced, and the period for which the qualified transportation fringes will be provided. The objective of this rule is to ensure against recharacterization of taxable compensation after it has been paid to the employee. There are no particular professional skills required to maintain these records.

A less burdensome alternative for small organizations would be to exempt those entities from the recordkeeping requirements under this rule. However, it would be inconsistent with the statutory provisions and legislative history to exempt those entities from the recordkeeping requirements imposed under this rule.

This rule provides several options which avoid more burdensome recordkeeping requirements for small entities. This rule provides that (1) there are no substantiation requirements if the employer distributes transit passes in kind; (2) a compensation reduction election may be made electronically; (3) an election to reduce compensation may be automatically renewed; (4) an employer may provide for deemed compensation reduction elections under its qualified transportation fringe benefit plan; and (5) a requirement that a voucher be distributed in-kind by the employer is satisfied if the voucher is distributed by the employer or by another person on behalf of the employer (for example, if a transit operator credits amounts to the employee's fare card as a result of payments made to the operator by the employer).

Drafting Information

The principal author of these regulations is John Richards, Office of the Assistant Chief Counsel (Exempt Organizations/Employment Tax/Government Entities). However, other personnel from the IRS and Treasury Department participated in their development.

List of Subjects

26 CFR Part 1

Employment taxes, Income taxes, Reporting and recordkeeping requirements.

26 CFR Part 602

Reporting and recordkeeping requirements.

Adoption of Amendments to the Regulations

Accordingly, 26 CFR parts 1 and 602 are amended as follows:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

Par. 2. Section 1.132-0 is amended by:

1. Adding an entry for Sec. 1.132-5(p)(4)

2. Adding entries for Sec. 1.132-9.

The additions read as follows:

Sec. 1.132-0 Outline of regulations under section 132.

* * * * *

Sec. 1.132-5 Working condition fringes.

* * * * *

(p) * * *

(4) Dates of applicability.

* * * * *

Sec. 1.132-9 Qualified transportation fringes.

(a) Table of contents.

(b) Questions and answers.

Par. 3. Section 1.132-5 is amended by adding paragraph (p)(4) to read as follows:

Sec. 1.132-5 Working condition fringes.

* * * * *

(p) * * *

(4) Dates of applicability. This paragraph (p) applies to benefits provided before January 1, 1993. For benefits provided after December 31, 1992, see Sec. 1.132-9.

Par. 4. Section 1.132-9 is added to read as follows:

Sec. 1.132-9 Qualified transportation fringes.

(a) Table of contents. This section contains a list of the questions and answers in Sec. 1.132-9.

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(b) Questions and answers.

Q-1. What is a qualified transportation fringe?

A-1. (a) The following benefits are qualified transportation fringe benefits:

(1) Transportation in a commuter highway vehicle.

(2) Transit passes.

(3) Qualified parking.

(b) An employer may simultaneously provide an employee with any one or more of these three benefits.

Q-2. What is transportation in a commuter highway vehicle?

A-2. Transportation in a commuter highway vehicle is transportation provided by an employer to an employee in connection with travel between the employee's residence and place of employment. A commuter highway vehicle is a highway vehicle with a seating capacity of at least 6 adults (excluding the driver) and with respect to which at least 80 percent of the vehicle's mileage for a year is reasonably expected to be—

For transporting employees in connection with travel between their residences and their place of employment; and

(b) On trips during which the number of employees transported for commuting is at least one-half of the adult seating capacity of the vehicle (excluding the driver).

Q-3. What are transit passes?

A-3. A transit pass is any pass, token, farecard, voucher, or similar item (including an item exchangeable for fare media) that entitles a person to transportation—

(a) On mass transit facilities (whether or not publicly owned); or

(b) Provided by any person in the business of transporting persons for compensation or hire in a highway vehicle with a seating capacity of at least 6 adults (excluding the driver).

Q-4. What is qualified parking?

A-4. (a) Qualified parking is parking provided to an employee by an employer—

(1) On or near the employer's business premises; or

(2) At a location from which the employee commutes to work (including commuting by carpool, commuter highway vehicle, mass transit facilities, or transportation provided by any person in the business of transporting persons for compensation or hire).

(b) For purposes of section 132(f), parking on or near the employer's business premises includes parking on or near a work location at which the employee provides services for the employer. However, qualified parking does not include—

(1) The value of parking provided to an employee that is excludable from gross income under section 132(a)(3) (as a working condition fringe), or

(2) Reimbursement paid to an employee for parking costs that is excludable from gross income as an amount treated as paid under an accountable plan. See Sec. 1.62-2.

(c) However, parking on or near property used by the employee for residential purposes is not qualified parking.

(d) Parking is provided by an employer if—

(1) The parking is on property that the employer owns or leases;

(2) The employer pays for the parking; or

(3) The employer reimburses the employee for parking expenses (see Q/A-16 of this section for rules relating to cash reimbursements).

Q-5. May qualified transportation fringes be provided to individuals who are not employees?

A-5. An employer may provide qualified transportation fringes only to individuals who are currently employees of the employer at the time the qualified transportation fringe is provided. The term employee for purposes of qualified transportation fringes is defined in Sec. 1.132-1(b)(2)(i). This term includes only common law employees and other statutory employees, such as officers of corporations. See Q/A-24 of this section for rules regarding partners, 2-percent shareholders, and independent contractors.

Q-6. Must a qualified transportation fringe benefit plan be in writing?

A-6. No. Section 132(f) does not require that a qualified transportation fringe benefit plan be in writing.

Q-7. Is there a limit on the value of qualified transportation fringes that may be excluded from an employee's gross income?

A-7. (a) Transportation in a commuter highway vehicle and transit passes. Before January 1, 2002, up to $65 per month is excludable from the gross income of an employee for transportation in a commuter highway vehicle and transit passes provided by an employer. On January 1, 2002, this amount is increased to $100 per month.

(b) Parking. Up to $175 per month is excludable from the gross income of an employee for qualified parking.

(c) Combination. An employer may provide qualified parking benefits in addition to transportation in a commuter highway vehicle and transit passes.

(d) Cost-of-living adjustments. The amounts in paragraphs (a) and (b) of this Q/A-7 are adjusted annually, beginning with 2000, to reflect cost-of-living. The adjusted figures are announced by the Service before the beginning of the year.

Q-8. What amount is includible in an employee's wages for income and employment tax purposes if the value of the qualified transportation fringe exceeds the applicable statutory monthly limit?

A-8. (a) Generally, an employee must include in gross income the amount by which the fair market value of the benefit exceeds the sum of the amount, if any, paid by the employee and any amount excluded from gross income under section 132(a)(5). Thus, assuming no other statutory exclusion applies, if an employer provides an employee with a qualified transportation fringe that exceeds the applicable statutory monthly limit and the employee does not make any payment, the value of the benefits provided in excess of the applicable statutory monthly limit is included in the employee's wages for income and employment tax purposes. See Sec. 1.61-21(b)(1).

(b) The following examples illustrate the principles of this Q/A-8:

Example 1. (i) For each month in a year in which the statutory monthly transit pass limit is $100 (i.e., a year after 2001), Employer M provides a transit pass valued at $110 to Employee D, who does not pay any amount to Employer M for the transit pass.

(ii) In this Example 1, because the value of the monthly transit pass exceeds the statutory monthly limit by $10, $120 ($110 − $100, times 12 months) must be included in D's wages for income and employment tax purposes for the year with respect to the transit passes.

Example 2. (i) For each month in a year in which the statutory monthly qualified parking limit is $175, Employer M provides qualified parking valued at $195 to Employee E, who does not pay any amount to M for the parking.

(ii) In this Example 2, because the fair market value of the qualified parking exceeds the statutory monthly limit by $20, $240 ($195 − $175, times 12 months) must be included in Employee E's wages for income and employment tax purposes for the year with respect to the qualified parking.

Example 3. (i) For each month in a year in which the statutory monthly qualified parking limit is $175, Employer P provides

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qualified parking with a fair market value of $220 per month to its employees, but charges each employee $45 per month.

(ii) In this Example 3, because the sum of the amount paid by an employee ($45) plus the amount excludable for qualified parking ($175) is not less than the fair market value of the monthly benefit, no amount is includible in the employee's wages for income and employment tax purposes with respect to the qualified parking.

Q-9. Are excludable qualified transportation fringes calculated on a monthly basis?

A-9. (a) In general. Yes. The value of transportation in a commuter highway vehicle, transit passes, and qualified parking is calculated on a monthly basis to determine whether the value of the benefit has exceeded the applicable statutory monthly limit on qualified transportation fringes. Except in the case of a transit pass provided to an employee, the applicable statutory monthly limit applies to qualified transportation fringes used by the employee in a month. Monthly exclusion amounts are not combined to provide a qualified transportation fringe for any month exceeding the statutory limit. A month is a calendar month or a substantially equivalent period applied consistently.

(b) Transit passes. In the case of transit passes provided to an employee, the applicable statutory monthly limit applies to the transit passes provided by the employer to the employee in a month for that month or for any previous month in the calendar year. In addition, transit passes distributed in advance for more than one month, but not for more than twelve months, are qualified transportation fringes if the requirements in paragraph (c) of this Q/A-9 are met (relating to the income tax and employment tax treatment of advance transit passes). The applicable statutory monthly limit under section 132(f)(2) on the combined amount of transportation in a commuter highway vehicle and transit passes may be calculated by taking into account the monthly limits for all months for which the transit passes are distributed. In the case of a pass that is valid for more than one month, such as an annual pass, the value of the pass may be divided by the number of months for which it is valid for purposes of determining whether the value of the pass exceeds the statutory monthly limit.

(c) Rule if employee's employment terminates—(1) Income tax treatment. The value of transit passes provided in advance to an employee with respect to a month in which the individual is not an employee is included in the employee's wages for income tax purposes.

(2) Reporting and employment tax treatment. Transit passes distributed in advance to an employee are excludable from

wages for employment tax purposes under sections 3121, 3306, and 3401 (FICA, FUTA, and income tax withholding) if the employer distributes transit passes to the employee in advance for not more than three months and, at the time the transit passes are distributed, there is not an established date that the employee's employment will terminate (for example, if the employee has given notice of retirement) which will occur before the beginning of the last month of the period for which the transit passes are provided. If the employer distributes transit passes to an employee in advance for not more than three months and at the time the transit passes are distributed there is an established date that the employee's employment will terminate, and the employee's employment does terminate before the beginning of the last month of the period for which the transit passes are provided, the value of transit passes provided for months beginning after the date of termination during which the employee is not employed by the employer is included in the employee's wages for employment tax purposes. If transit passes are distributed in advance for more than three months, the value of transit passes provided for the months during which the employee is not employed by the employer is includible in the employee's wages for employment tax purposes regardless of whether at the time the transit passes were distributed there was an established date of termination of the employee's employment.

(d) Examples. The following examples illustrate the principles of this Q/A-9:

Example 1. (i) Employee E incurs $150 for qualified parking used during the month of June of a year in which the statutory monthly parking limit is $175, for which E is reimbursed $150 by Employer R. Employee E incurs $180 in expenses for qualified parking used during the month of July of that year, for which E is reimbursed $180 by Employer R.

(ii) In this Example 1, because monthly exclusion amounts may not be combined to provide a benefit in any month greater than the applicable statutory limit, the amount by which the amount reimbursed for July exceeds the applicable statutory monthly limit ($180 minus $175 equals $5) is includible in Employee E's wages for income and employment tax purposes.

Example 2. (i) Employee F receives transit passes from Employer G with a value of $195 in March of a year (for which the statutory monthly transit pass limit is $65) for January, February, and March of that year. F was hired during January and has not received any transit passes from G.

(ii) In this Example 2, the value of the transit passes (three months times $65 equals $195) is excludable from F's wages for income and employment tax purposes.

Example 3. (i) Employer S has a qualified transportation fringe benefit plan under which its employees receive transit passes near the beginning of each calendar quarter for that calendar quarter. All employees of Employer S receive transit passes from Employer S with a value of $195 on March 31 for the second calendar quarter covering the months April, May, and June (of a year in which the statutory monthly transit pass limit is $65).

(ii) In this Example 3, because the value of the transit passes may be calculated by taking into account the monthly limits for all months for which the transit passes are distributed, the value of the transit passes (three months times $65 equals $195) is excludable from the employees' wages for income and employment tax purposes.

Example 4. (i) Same facts as in Example 3, except that Employee T, an employee of Employer S, terminates employment with S on May 31. There was not an established date of termination for Employee T at the time the transit passes were distributed.

(ii) In this Example 4, because at the time the transit passes were distributed there was not an established date of termination for Employee T, the value of the transit passes provided for June ($65) is excludable from T's wages for employment tax purposes. However, the value of the transit passes distributed to Employee T for June ($65) is not excludable from T's wages for income tax purposes.

(iii) If Employee T's May 31 termination date was established at the time the transit passes were provided, the value of the transit passes provided for June ($65) is included in T's wages for both income and employment tax purposes.

Example 5. (i) Employer F has a qualified transportation fringe benefit plan under which its employees receive transit passes semi-annually in advance of the months for which the transit passes are provided. All employees of Employer F, including Employee X, receive transit passes from F with a value of $390 on June 30 for the 6 months of July through December (of a year in which the statutory monthly transit pass limit is $65). Employee X's employment terminates and his last day of work is August 1. Employer F's other employees remain employed throughout the remainder of the year.

(ii) In this Example 5, the value of the transit passes provided to Employee X for the months September, October, November, and December ($65 times 4 months equals $260) of the year is included in X's wages for income and employment tax purposes. The value of the transit passes provided to Employer F's other employees is excludable from the employees' wages for income and employment tax purposes.

Example 6. (i) Each month during a year in which the statutory monthly transit pass limit is $65, Employer R distributes transit

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passes with a face amount of $70 to each of its employees. Transit passes with a face amount of $70 can be purchased from the transit system by any individual for $65.

(ii) In this Example 6, because the value of the transit passes distributed by Employer R does not exceed the applicable statutory monthly limit ($65), no portion of the value of the transit passes is included as wages for income and employment tax purposes.

Q-10. May an employee receive qualified transportation fringes from more than one employer?

A-10. (a) General rule. Yes. The statutory monthly limits described in Q/A-7 of this section apply to benefits provided by an employer to its employees. For this purpose, all employees treated as employed by a single employer under section 414(b), (c), (m), or (o) are treated as employed by a single employer. See section 414(t) and Sec. 1.132-1(c). Thus, qualified transportation fringes paid by entities under common control under section 414(b), (c), (m), or (o) are combined for purposes of applying the applicable statutory monthly limit. In addition, an individual who is treated as a leased employee of the employer under section 414(n) is treated as an employee of that employer for purposes of section 132. See section 414(n)(3)(C).

(b) Examples. The following examples illustrate the principles of this Q/A-10:

Example 1. (i) During a year in which the statutory monthly qualified parking limit is $175, Employee E works for Employers M and N, who are unrelated and not treated as a single employer under section 414(b), (c), (m), or (o). Each month, M and N each provide qualified parking benefits to E with a value of $100.

(ii) In this Example 1, because M and N are unrelated employers, and the value of the monthly parking benefit provided by each is not more than the applicable statutory monthly limit, the parking benefits provided by each employer are excludable as qualified transportation fringes assuming that the other requirements of this section are satisfied.

Example 2. (i) Same facts as in Example 1, except that Employers M and N are treated as a single employer under section 414(b).

(ii) In this Example 2, because M and N are treated as a single employer, the value of the monthly parking benefit provided by M and N must be combined for purposes of determining whether the applicable statutory monthly limit has been exceeded. Thus, the amount by which the value of the parking benefit exceeds the monthly limit ($200 minus the monthly limit amount of $175 equals $25) for each month in the year is includible in E's wages for income and employment tax purposes.

Q-11. May qualified transportation fringes be provided to employees pursuant to a compensation reduction agreement?

A-11. Yes. An employer may offer employees a choice between cash compensation and any qualified transportation fringe. An employee who is offered this choice and who elects qualified transportation fringes is not required to include the cash compensation in income if—

(a) The election is pursuant to an arrangement described in Q/A-12 of this section;

(b) The amount of the reduction in cash compensation does not exceed the limitation in Q/A-13 of this section;

(c) The arrangement satisfies the timing and reimbursement rules in Q/A-14 and 16 of this section; and

(d) The related fringe benefit arrangement otherwise satisfies the requirements set forth elsewhere in this section.

Q-12. What is a compensation reduction election for purposes of section 132(f)?

A-12. (a) Election requirements generally. A compensation reduction arrangement is an arrangement under which the employer provides the employee with the right to elect whether the employee will receive either a fixed amount of cash compensation at a specified future date or a fixed amount of qualified transportation fringes to be provided for a specified future period (such as qualified parking to be used during a future calendar month). The employee's election must be in writing or another form, such as electronic, that includes, in a permanent and verifiable form, the information required to be in the election. The election must contain the date of the election, the amount of the compensation to be reduced, and the period for which the benefit will be provided. The election must relate to a fixed dollar amount or fixed percentage of compensation reduction. An election to reduce compensation for a period by a set amount for such period may be automatically renewed for subsequent periods.

(b) Automatic election permitted. An employer may provide under its qualified transportation fringe benefit plan that a compensation reduction election will be deemed to have been made if the employee does not elect to receive cash compensation in lieu of the qualified transportation fringe, provided that the employee receives adequate notice that a compensation reduction will be made and is given adequate opportunity to choose to receive the cash compensation instead of the qualified transportation fringe.

Q-13. Is there a limit to the amount of the compensation reduction?

A-13. Yes. Each month, the amount of the compensation reduction may not exceed the combined applicable statutory monthly limits for transportation in a commuter highway vehicle, transit passes, and qualified parking. For example, for a year in which the statutory monthly limit is $65 for transportation in a commuter highway vehicle and transit passes, and $175 for qualified parking, an employee could elect to reduce compensation for any month by no more than $240 ($65 plus $175) with respect to qualified transportation fringes. If an employee were to elect to reduce compensation by $250 for a month, the excess $10 ($250 minus $240) would be includible in the employee's wages for income and employment tax purposes.

Q-14. When must the employee have made a compensation reduction election and under what circumstances may the amount be paid in cash to the employee?

A-14. (a) The compensation reduction election must satisfy the requirements set forth under paragraphs (b), (c), and (d) of this Q/A-14.

(b) Timing of election. The compensation reduction election must be made before the employee is able currently to receive the cash or other taxable amount at the employee's discretion. The determination of whether the employee is able currently to receive the cash does not depend on whether it has been constructively received for purposes of section 451. The election must specify that the period (such as a calendar month) for which the qualified transportation fringe will be provided must not begin before the election is made. Thus, a compensation reduction election must relate to qualified transportation fringes to be provided after the election. For this purpose, the date a qualified transportation fringe is provided is—

(1) The date the employee receives a voucher or similar item; or

(2) In any other case, the date the employee uses the qualified transportation fringe.

Revocability of elections. The employee may not revoke a compensation reduction election after the employee is able currently to receive the cash or other taxable amount at the employee's discretion.

In addition, the election may not be revoked after the beginning of the period for which the qualified transportation fringe will be provided.

(d) Compensation reduction amounts not refundable. Unless an election is revoked in a manner consistent with paragraph (c) of this Q/A-14, an employee may not subsequently receive the compensation (in cash or any form other than by payment of a qualified transportation fringe under the employer's plan). Thus, an employer's

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qualified transportation fringe benefit plan may not provide that an employee who ceases to participate in the employer's qualified transportation fringe benefit plan (such as in the case of termination of employment) is entitled to receive a refund of the amount by which the employee's compensation reductions exceed the actual qualified transportation fringes provided to the employee by the employer.

(e) Examples. The following examples illustrate the principles of this Q/A-14:

Example 1. (i) Employer P maintains a qualified transportation fringe benefit arrangement during a year in which the statutory monthly limit is $100 for transportation in a commuter highway vehicle and transit passes (2002 or later) and $180 for qualified parking. Employees of P are paid cash compensation twice per month, with the payroll dates being the first and the fifteenth day of the month. Under P's arrangement, an employee is permitted to elect at any time before the first day of a month to reduce his or her compensation payable during that month in an amount up to the applicable statutory monthly limit ($100 if the employee elects coverage for transportation in a commuter highway vehicle or a mass transit pass, or $180 if the employee chooses qualified parking) in return for the right to receive qualified transportation fringes up to the amount of the election. If such an election is made, P will provide a mass transit pass for that month with a value not exceeding the compensation reduction amount elected by the employee or will reimburse the cost of other qualified transportation fringes used by the employee on or after the first day of that month up to the compensation reduction amount elected by the employee. Any compensation reduction amount elected by the employee for the month that is not used for qualified transportation fringes is not refunded to the employee at any future date.

(ii) In this Example 1, the arrangement satisfies the requirements of this Q/A-14 because the election is made before the employee is able currently to receive the cash and the election specifies the future period for which the qualified transportation fringes will be provided. The arrangement would also satisfy the requirements of this Q/A-14 and Q/A-13 of this section if employees are allowed to elect to reduce compensation up to $280 per month ($100 plus $180).

(iii) The arrangement would also satisfy the requirements of this Q/A-14 (and Q/A-13 of this section) if employees are allowed to make an election at any time before the first or the fifteenth day of the month to reduce their compensation payable on that payroll date by an amount not in excess of one-half of the applicable statutory monthly limit (depending on the type of qualified transportation fringe elected by the employee) and P provides a mass transit pass on or after the applicable payroll date for the compensation reduction amount elected by the employee for the payroll date or reimburses the cost of other qualified transportation fringes used by the employee on or after the payroll date up to the compensation reduction amount elected by the employee for that payroll date.

Example 2. (i) Employee Q elects to reduce his compensation payable on March 1 of a year (for which the statutory monthly mass transit limit is $65) by $195 in exchange for a mass transit voucher to be provided in March. The election is made on the preceding February 27. Employee Q was hired in January of the year. On March 10 of the year, the employer of Employee Q delivers to Employee Q a mass transit voucher worth $195 for the months of January, February, and March.

(ii) In this Example 2, $65 is included in Employee Q's wages for income and employment tax purposes because the compensation reduction election fails to satisfy the requirement in this Q/A-14 and Q/A-12 of this section that the period for which the qualified transportation fringe will be provided not begin before the election is made to the extent the election relates to $65 worth of transit passes for January of the year. The $65 for February is not taxable because the election was for a future period that includes at least one day in February.

(iii) However, no amount would be included in Employee Q's wages as a result of the election if $195 worth of mass transit passes were instead provided to Q for the months of February, March, and April (because the compensation reduction would relate solely to fringes to be provided for a period not beginning before the date of the election and the amount provided does not exceed the aggregate limit for the period, i.e., the sum of $65 for each of February, March, and April). See Q/A-9 of this section for rules governing transit passes distributed in advance for more than one month.

Example 3. (i) Employee R elects to reduce his compensation payable on March 1 of a year (for which the statutory monthly parking limit is $175) by $185 in exchange for reimbursement by Employer T of parking expenses incurred by Employee R for parking on or near Employer T's business premises during the period beginning after the date of the election through March. The election is made on the preceding February 27. Employee R incurs $10 in parking expenses on February 28 of the year, and $175 in parking expenses during the month of March. On April 5 of the year, Employer T reimburses Employee R $185 for the parking expenses incurred on February 28, and during March, of the year.

(ii) In this Example 3, no amount would be includible in Employee R's wages for income and employment tax purposes because the compensation reduction related solely to parking on or near Employer R's business premises used during a period not beginning before the date of the election and the amount reimbursed for parking used in any one month does not exceed the statutory monthly limitation.

Q-15. May an employee whose qualified transportation fringe costs are less than the employee's compensation reduction carry over this excess amount to subsequent periods?

A-15. (a) Yes. An employee may carry over unused compensation reduction amounts to subsequent periods under the plan of the employee's employer.

(b) The following example illustrates the principles of this Q/A-15:

Example. (i) By an election made before November 1 of a year for which the statutory monthly mass transit limit is $65, Employee E elects to reduce compensation in the amount of $65 for the month of November. E incurs $50 in employee-operated commuter highway vehicle expenses during November for which E is reimbursed $50 by Employer R, E's employer. By an election made before December, E elects to reduce compensation by $65 for the month of December. E incurs $65 in employee-operated commuter highway vehicle expenses during December for which E is reimbursed $65 by R. Before the following January, E elects to reduce compensation by $50 for the month of January. E incurs $65 in employee-operated commuter highway vehicle expenses during January for which E is reimbursed $65 by R because R allows E to carry over to the next year the $15 amount by which the compensation reductions for November and December exceeded the employee-operated commuter highway vehicle expenses incurred during those months.

(ii) In this Example, because Employee E is reimbursed in an amount not exceeding the applicable statutory monthly limit, and the reimbursement does not exceed the amount of employee-operated commuter highway vehicle expenses incurred during the month of January, the amount reimbursed ($65) is excludable from E's wages for income and employment tax purposes.

Q-16. How does section 132(f) apply to expense reimbursements?

A-16. (a) In general. The term qualified transportation fringe includes cash reimbursement by an employer to an employee for expenses incurred or paid by an employee for transportation in a commuter highway vehicle or qualified parking. The term qualified transportation fringe also includes cash reimbursement for transit passes made under a bona fide reimbursement arrangement, but, in accordance with section 132(f)(3), only if permitted under paragraph (b) of this Q/A-16. The reimbursement must be made under a bona fide reimbursement arrangement which meets the rules of paragraph (c) of this Q/A-16. A payment made before the date an expense has been incurred or paid is not a reimbursement. In addition, a bona fide reimbursement arrangement does not include an arrangement that is dependent solely upon an employee certifying in advance that the employee will incur expenses at some future date.

(b) Special rule for transit passes—(1) In general. The term qualified transportation fringe includes cash reimbursement for transit passes made

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under a bona fide reimbursement arrangement, but, in accordance with section 132(f)(3), only if no voucher or similar item that may be exchanged only for a transit pass is readily available for direct distribution by the employer to employees. If a voucher is readily available, the requirement that a voucher be distributed in-kind by the employer is satisfied if the voucher is distributed by the employer or by another person on behalf of the employer (for example, if a transit operator credits amounts to the employee's fare card as a result of payments made to the operator by the employer).

(2) Voucher or similar item. For purposes of the special rule in paragraph (b) of this Q/A-16, a transit system voucher is an instrument that may be purchased by employers from a voucher provider that is accepted by one or more mass transit operators (e.g., train, subway, and bus) in an area as fare media or in exchange for fare media. Thus, for example, a transit pass that may be purchased by employers directly from a voucher provider is a transit system voucher.

(3) Voucher provider. The term voucher provider means any person in the trade or business of selling transit system vouchers to employers, or any transit system or transit operator that sells vouchers to employers for the purpose of direct distribution to employees. Thus, a transit operator might or might not be a voucher provider. A voucher provider is not, for example, a third-party employee benefits administrator that administers a transit pass benefit program for an employer using vouchers that the employer could obtain directly.

(4) Readily available. For purposes of this paragraph (b), a voucher or similar item is readily available for direct distribution by the employer to employees if and only if an employer can obtain it from a voucher provider that—

does not impose fare media charges that cause vouchers to not be readily available as described in paragraph (b)(5) of this section;

and

does not impose other restrictions that cause vouchers to not be readily available as described in paragraph (b)(6) of this section.

(5) Fare media charges. For purposes of paragraph (b)(4) of this section, fare media charges relate only to fees paid by the employer to voucher providers for vouchers. The determination of whether obtaining a voucher would result in fare media charges that cause vouchers to not be readily available as described in this paragraph (b) is made with respect to each transit system voucher. If more than one transit system voucher is available for direct distribution to employees, the employer must consider the fees imposed for the lowest cost monthly voucher for purposes of determining whether the fees imposed by the voucher provider satisfy this paragraph. However, if transit system vouchers for multiple transit systems are required in an area to meet the transit needs of the individual employees in that area, the employer has the option of averaging the costs applied to each transit system voucher for purposes of determining whether the fare media charges for transit system vouchers satisfy this paragraph. Fare media charges are described in this paragraph (b)(5), and therefore cause vouchers to not be readily available, if and only if the average annual fare media charges that the employer reasonably expects to incur for transit system vouchers purchased from the voucher provider (disregarding reasonable and customary delivery charges imposed by the voucher provider, e.g., not in excess of $15) are more than 1 percent of the average annual value of the vouchers for a transit system.

(6) Other restrictions. For purposes of paragraph (b)(4) of this section, restrictions that cause vouchers to not be readily available are restrictions imposed by the voucher provider other than fare media charges that effectively prevent the employer from obtaining vouchers appropriate for distribution to employees. Examples of such restrictions include—

(i) Advance purchase requirements. Advance purchase requirements cause vouchers to not be readily available only if the voucher provider does not offer vouchers at regular intervals or fails to provide the voucher within a reasonable period after receiving payment for the voucher. For example, a requirement that vouchers may be purchased only once per year may effectively prevent an employer from obtaining vouchers for distribution to employees. An advance purchase requirement that vouchers be purchased not more frequently than monthly does not effectively prevent the employer from obtaining vouchers for distribution to employees.

(ii) Purchase quantity requirements. Purchase quantity requirements cause vouchers to not be readily available if the voucher provider does not offer vouchers in quantities that are reasonably appropriate to the number of the employer's employees who use mass transportation (for example, the voucher provider requires a $1,000 minimum purchase and the employer seeks to purchase only $200 of vouchers).

Limitations on denominations of vouchers that are available. If the voucher provider does not offer vouchers in denominations appropriate for distribution to the employer's employees, vouchers are not readily available. For example, vouchers provided in $5 increments up to the monthly limit are appropriate for distribution to employees, while vouchers available only in a denomination equal to the monthly limit are not appropriate for distribution to employees if the amount of the benefit provided to the employer's employees each month is normally less than the monthly limit.

(7) Example. The following example illustrates the principles of this paragraph (b):

Example. (i) Company C in City X sells mass transit vouchers to employers in the metropolitan area of X in various denominations appropriate for distribution to employees. Employers can purchase vouchers monthly in reasonably appropriate quantities. Several different bus, rail, van pool, and ferry operators service X, and a number of the operators accept the vouchers either as fare media or in exchange for fare media. To cover its operating expenses, C imposes on each voucher a 50 cents charge, plus a reasonable and customary $15 charge for delivery of each order of vouchers. Employer M disburses vouchers purchased from C to its employees who use operators that accept the vouchers and M reasonably expects that $55 is the average value of the voucher it will purchase from C for the next calendar year.

(ii) In this Example, vouchers for X are readily available for direct distribution by the employer to employees because the expected cost of the vouchers disbursed to M's employees for the next calendar year is not more than 1 percent of the value of the vouchers (50 cents divided by $55 equals 0.91 percent), the delivery charges are disregarded because they are reasonable and customary, and there are no other restrictions that cause the vouchers to not be readily available. Thus, any reimbursement of mass transportation costs in X would not be a qualified transportation fringe.

Substantiation requirements. Employers that make cash reimbursements must establish a bona fide reimbursement arrangement to establish that their employees have, in fact, incurred expenses for transportation in a commuter highway vehicle, transit passes, or qualified parking. For purposes of section 132(f), whether cash reimbursements are made under a bona fide reimbursement arrangement may vary depending on the facts and circumstances, including the method or methods of payment utilized within the mass transit system. The

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employer must implement reasonable procedures to ensure that an amount equal to the reimbursement was incurred for transportation in a commuter highway vehicle, transit passes, or qualified parking. The expense must be substantiated within a reasonable period of time. An expense substantiated to the payor within 180 days after it has been paid will be treated as having been substantiated within a reasonable period of time. An employee certification at the time of reimbursement in either written or electronic form may be a reasonable reimbursement procedure depending on the facts and circumstances. Examples of reasonable reimbursement procedures are set forth in paragraph (d) of this Q/A-16.

(d) Illustrations of reasonable reimbursement procedures. The following are examples of reasonable reimbursement procedures for purposes of paragraph (c) of this Q/A-16. In each case, the reimbursement is made at or within a reasonable period after the end of the events described in paragraphs (d)(1) through (d)(3) of this section.

An employee presents to the employer a parking expense receipt for parking on or near the employer's business premises, the employee certifies that the parking was used by the employee, and the employer has no reason to doubt the employee's certification.

(2) An employee either submits a used time-sensitive transit pass (such as a monthly pass) to the employer and certifies that he or she purchased it or presents an unused or used transit pass to the employer and certifies that he or she purchased it and the employee certifies that he or she has not previously been reimbursed for the transit pass. In both cases, the employer has no reason to doubt the employee's certification.

If a receipt is not provided in the ordinary course of business (e.g., if the employee uses metered parking or if used transit passes cannot be returned to the user), the employee certifies to the employer the type and the amount of expenses incurred, and the employer has no reason to doubt the employee's certification.

Q-17. May an employer provide nontaxable cash reimbursement under section 132(f) for periods longer than one month?

A-17. (a) General rule. Yes. Qualified transportation fringes include reimbursement to employees for costs incurred for transportation in more than one month, provided the reimbursement for each month in the period is calculated separately and does not exceed the applicable statutory monthly limit for any month in the period. See Q/A-8 and 9 of this section if the limit for a month is exceeded.

(b) Example. The following example illustrates the principles of this Q/A-17:

Example. (i) Employee R pays $100 per month for qualified parking used during the period from April 1 through June 30 of a year in which the statutory monthly qualified parking limit is $175. After receiving adequate substantiation from Employee R, R's employer reimburses R $300 in cash on June 30 of that year.

(ii) In this Example, because the value of the reimbursed expenses for each month did not exceed the applicable statutory monthly limit, the $300 reimbursement is excludable from R's wages for income and employment tax purposes as a qualified transportation fringe.

Q-18. What are the substantiation requirements if an employer distributes transit passes?

A-18. There are no substantiation requirements if the employer distributes transit passes. Thus, an employer may distribute a transit pass for each month with a value not more than the statutory monthly limit without requiring any certification from the employee regarding the use of the transit pass.

Q-19. May an employer choose to impose substantiation requirements in addition to those described in this regulation?

A-19. Yes.

Q-20. How is the value of parking determined?

A-20. Section 1.61-21(b)(2) applies for purposes of determining the value of parking.

Q-21. How do the qualified transportation fringe rules apply to van pools?

A-21. (a) Van pools generally. Employer and employee-operated van pools, as well as private or public transit-operated van pools, may qualify as qualified transportation fringes. The value of van pool benefits which are qualified transportation fringes may be excluded up to the applicable statutory monthly limit for transportation in a commuter highway vehicle and transit passes, less the value of any transit passes provided by the employer for the month.

(b) Employer-operated van pools. The value of van pool transportation provided by or for an employer to its employees is excludable as a qualified transportation fringe, provided the van qualifies as a commuter highway vehicle as defined in section 132(f)(5)(B) and Q/A-2 of this section. A van pool is operated by or for the employer if the employer purchases or leases vans to enable employees to commute together or the employer contracts with and pays a third party to provide the vans and some or all of the costs of operating the vans, including maintenance, liability insurance and other operating expenses.

(c) Employee-operated van pools. Cash reimbursement by an employer to employees for expenses incurred for transportation in a van pool operated by employees independent of their employer are excludable as qualified transportation fringes, provided that the van qualifies as a commuter highway vehicle is defined in section 132(f)(5)(B) and Q/A-2 of this section. See Q/A-16 of this section for the rules governing cash reimbursements.

(d) Private or public transit-operated van pool transit passes. The qualified transportation fringe exclusion for transit passes is available for travel in van pools owned and operated either by public transit authorities or by any person in the business of transporting persons for compensation or hire. In accordance with paragraph (b) of Q/A-3 of this section, the van must seat at least 6 adults (excluding the driver). See Q/A-16(b) and (c) of this section for a special rule for cash reimbursement for transit passes and the substantiation requirements for cash reimbursement.

(e) Value of van pool transportation benefits. Section 1.61-21(b)(2) provides that the fair market value of a fringe benefit is based on all the facts and circumstances. Alternatively, transportation in an employer-provided commuter highway vehicle may be valued under the automobile lease valuation rule in Sec. 1.61-21(d), the vehicle cents-per-mile rule in Sec. 1.61-21(e), or the commuting valuation rule in Sec. 1.61-21(f). If one of these special valuation rules is used, the employer must use the same valuation rule to value the use of the commuter highway vehicle by each employee who share the use. See Sec. 1.61-21(c)(2)(i)(B).

(f) Qualified parking prime member. If an employee obtains a qualified parking space as a result of membership in a car or van pool, the applicable statutory monthly limit for qualified parking applies to the individual to whom the parking space is assigned. This individual is the prime member. In determining the tax consequences to the prime member, the statutory monthly limit amounts of each car pool member may not be combined. If the employer provides access to the space and the space is not assigned to a particular individual, then the employer must designate one of its employees as the prime member who will bear the tax consequences. The employer may not designate more than one prime member for a car or van pool during a month.

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The employer of the prime member is responsible for including the value of the qualified parking in excess of the statutory monthly limit in the prime member's wages for income and employment tax purposes.

Q-22. What are the reporting and employment tax requirements for qualified transportation fringes?

A-22. (a) Employment tax treatment generally. Qualified transportation fringes not exceeding the applicable statutory monthly limit described in Q/A-7 of this section are not wages for purposes of the Federal Insurance Contributions Act (FICA), the Federal Unemployment Tax Act (FUTA), and federal income tax withholding. Any amount by which an employee elects to reduce compensation as provided in Q/A-11 of this section is not subject to the FICA, the FUTA, and federal income tax withholding. Qualified transportation fringes exceeding the applicable statutory monthly limit described in Q/A-7 of this section are wages for purposes of the FICA, the FUTA, and federal income tax withholding and are reported on the employee's Form W-2, Wage and Tax Statement.

(b) Employment tax treatment of cash reimbursement exceeding monthly limits. Cash reimbursement to employees (for example, cash reimbursement for qualified parking) in excess of the applicable statutory monthly limit under section 132(f) is treated as paid for employment tax purposes when actually or constructively paid. See Secs. 31.3121(a)-2(a), 31.3301-4, 31.3402(a)-1(b) of this chapter. Employers must report and deposit the amounts withheld in addition to reporting and depositing other employment taxes. See Q/A-16 of this section for rules governing cash reimbursements.

(c) Noncash fringe benefits exceeding monthly limits. If the value of noncash qualified transportation fringes exceeds the applicable statutory monthly limit, the employer may elect, for purposes of the FICA, the FUTA, and federal income tax withholding, to treat the noncash taxable fringe benefits as paid on a pay period, quarterly, semi-annual, annual, or other basis, provided that the benefits are treated as paid no less frequently than annually.

Q-23. How does section 132(f) interact with other fringe benefit rules?

A-23. For purposes of section 132, the terms working condition fringe and de minimis fringe do not include any qualified transportation fringe under section 132(f). If, however, an employer provides local transportation other than transit passes (without any direct or indirect compensation reduction election), the value of the benefit may be excludable, either totally or partially, under fringe benefit rules other than the qualified transportation fringe rules under section 132(f). See Secs. 1.132-6(d)(2)(i) (occasional local transportation fare), 1.132-6(d)(2)(iii) (transportation provided under unusual circumstances), and 1.61-21(k) (valuation of local transportation provided to qualified employees). See also Q/A-4(b) of this section.

Q-24. May qualified transportation fringes be provided to individuals who are partners, 2-percent shareholders of S-corporations, or independent contractors?

A-24. (a) General rule. Section 132(f)(5)(E) states that self-employed individuals who are employees within the meaning of section 401(c)(1) are not employees for purposes of section 132(f). Therefore, individuals who are partners, sole proprietors, or other independent contractors are not employees for purposes of section 132(f). In addition, under section 1372(a), 2-percent shareholders of S corporations are treated as partners for fringe benefit purposes. Thus, an individual who is both a 2-percent shareholder of an S corporation and a common law employee of that S corporation is not considered an employee for purposes of section 132(f). However, while section 132(f) does not apply to individuals who are partners, 2-percent shareholders of S corporations, or independent contractors, other exclusions for working condition and de minimis fringes may be available as described in paragraphs (b) and (c) of this Q/A-24. See Secs. 1.132-1(b)(2) and 1.132-1(b)(4).

(b) Transit passes. The working condition and de minimis fringe exclusions under section 132(a)(3) and (4) are available for transit passes provided to individuals who are partners, 2-percent shareholders, and independent contractors. For example, tokens or farecards provided by a partnership to an individual who is a partner that enable the partner to commute on a public transit system (not including privately-operated van pools) are excludable from the partner's gross income if the value of the tokens and farecards in any month does not exceed the dollar amount specified in Sec. 1.132-6(d)(1). However, if the value of a pass provided in a month exceeds the dollar amount specified in Sec. 1.132-6(d)(1), the full value of the benefit provided (not merely the amount in excess of the dollar amount specified in Sec. 1.132-6(d)(1)) is includible in gross income.

(c) Parking. The working condition fringe rules under section 132(d) do not apply to commuter parking. See Sec. 1.132-5(a)(1). However, the de minimis fringe rules under section 132(e) are available for parking provided to individuals who are partners, 2-percent shareholders, or independent contractors that qualifies under the de minimis rules. See Sec. 1.132-6(a) and (b).

(d) Example. The following example illustrates the principles of this Q/A-24:

Example. (i) Individual G is a partner in partnership P. Individual G commutes to and from G's office every day and parks free of charge in P's lot.

(ii) In this Example, the value of the parking is not excluded under section 132(f), but may be excluded under section 132(e) if the parking is a de minimis fringe under Sec. 1.132-6.

Q-25. What is the effective date of this section?

A-25. (a) Except as provided in paragraph (b) of this Q/A-25, this section is applicable for taxable years beginning after December 31, 2001.

(b) The last sentence of paragraph (b)(5) of Q/A-16 of this section (relating to whether transit system vouchers for transit passes are readily available) is effective for taxable years beginning after December 31, 2003.

PART 602—OMB CONTROL NUMBERS UNDER THE PAPERWORK REDUCTION ACT

Par. 5. The authority citation for part 602 continues to read as follows:

Authority: 26 U.S.C. 7805.

Par. 6. In Sec. 602.101, paragraph (b) is amended by adding an entry in numerical order to the table to read as follows:

Sec. 602.101 OMB Control numbers.

* * * * *

(b)

CFR part or section where identified and described	Current OMB control No.
* * * * *	
1.132-9(b)..	1545-1676
* * * * *	

Robert E. Wenzel,

Deputy Commissioner of Internal Revenue.

Approved: December 29, 2000.

Jonathan Talisman,

Acting Assistant Secretary of the Treasury.

[FR Doc. 01-294 Filed 1-10-01; 8:45 am]

BILLING CODE 4830-01-P

Source: http://www.gpo.gov/.

Note: Bold type added for ease of reading; not in original.

APPENDIX B

EXAMPLES OF TAX CALCULATIONS

This appendix contains examples of tax savings associated with different types of commuter benefit programs. For all examples, it is assumed that the employee is single with no dependants, pays at a federal income tax rate of 28 percent and a state tax rate of 6 percent, and makes $3,000 monthly before taxes. Corporate income taxes are assumed to be 34 percent.

EXAMPLE 1: EMPLOYER-PAID

Acme Corporation has decided to provide employees with a tax-free transit/vanpool voucher of $100 per month ($1,200 per year) to help pay commute expenses. Jane elects to accept an employer-paid monthly transit pass worth $100 per month. For both Jane and Acme Corporation, this arrangement is better than giving her a $1,200 raise because Jane actually receives more money and Acme pays less.

If Acme Corporation had raised Jane's annual salary by $1,200, she would only receive $700 in post-tax income. Because transit benefits are tax-free, she receives the full $1,200 benefit. The transit pass is free to Jane, providing her with a no-cost commute. In total, Jane saves about $500 in taxes when her employer provides her with a tax-free transit benefit rather than the same benefit in salary.

See Tables B-1 and B-2 for a breakdown by perspective.

EXAMPLE 2: EMPLOYEE-PAID

Acme Corporation offers its employees transportation benefits, including allowing employees to pay for transit and vanpool passes using pre-tax income, up to the monthly limit of $100. Jane elects to do this and uses pre-tax income to purchase her monthly transit pass, which costs $100 per month.

By electing to use pre-tax income to pay for her transit pass, $100 is taken out of Jane's monthly, pre-tax income, thereby saving her the FICA and federal income taxes that would normally be applied to that $100 had she purchased her tickets using the money from her paycheck.

Tables B-3 and B-4 present a breakdown by perspective.

EXAMPLE 3: COMBINATION BENEFIT

Acme Corporation has decided to provide a tax-free fringe benefit of $50 per month. Employees whose commute expenses exceed this will be allowed to pay the remainder of their expenses using pre-tax income. For Jane, this means that she will take the $50 tax-free fringe benefit and then use pre-tax income to pay for the remaining $50 of her transit pass expenses.

Tables B-5 and B-6 present a breakdown by perspective.

TABLE B-1 Employer-paid benefit: Jane's perspective

		Base Case	Salary Increase	Employer-Paid Benefit
Monthly Gross Pay		$3,000	$3,100	$3,000
Federal Income Tax	28%	$840	$868	$840
State Tax	6%	$180	$186	$180
FICA	7.65%	$230	$237	$230
Employee Take-Home Pay		$1,751	$1,809	$1,751
Employer-Paid Benefit		$0	$0	$100
Employee's Transit Cost		$100	$100	$100
Spendable Income after Transit		$1,651	$1,709	$1,751

TABLE B-2 Employer-paid benefit: Acme's perspective

		Base Case	Salary Increase	Employer-Paid Benefit
Cost to Provide Salary		$3,000	$3,100	$3,000
FICA Taxes	7.65%	$230	$237	$230
Salary and Payroll Cost		$3,230	$3,337	$3,230
Tax Deduction	34%	$1,098	$1,135	$1,098
Total Cost to Provide Salary		$2,131	$2,203	$2,131
Employer-Paid Benefit		$0	$0	$100
Tax Deduction	34%	$0	$0	$34

TABLE B-3 Employee-paid benefit: Jane's perspective

		Base Case	Employee-Paid Pre-Tax Benefit
Monthly Gross Pay		$3,000	$3,000
Pre-Tax Transit Cost		$0	$100
Taxable Salary		$3,000	$2,900
Federal Income Tax	28%	$840	$812
State Tax	6%	$180	$174
FICA	7.65%	$230	$222
Employee Take-Home Pay		$1,751	$1,692
Transit Cost		$100	$0
Spendable Income after Transit		$1,651	$1,692

TABLE B-4 Employee-paid benefit: Acme's perspective

		Base Case	Employee-Paid Pre-Tax Benefit
Cost to Provide Salary		$3,000	$3,000
Employee Pre-Tax Transit Cost		$0	$100
FICA Taxes	7.65%	$230	$222
Salary and Payroll Cost		$3,230	$3,222
Tax Deduction	34%	$1,098	$1,095
Total Cost to Provide Salary		$2,131	$2,126

TABLE B-5 Combination benefit: Jane's perspective

		Base Case	Combination Benefit
Monthly Gross Pay		$3,000	$3,000
Pre-Tax Transit Cost		$0	$50
Taxable Salary		$3,000	$2,950
Federal Income Tax	28%	$840	$826
State Tax	6%	$180	$177
FICA	7.65%	$230	$226
Employee Take-Home Pay		$1,751	$1,771
Transit Cost		$100	$100
Employer-Paid Benefit		$0	$50
Spendable Income after Transit		$1,651	$1,721

TABLE B-6 Combination benefit: Acme's perspective

		Base Case	Combination Benefit
Cost to Provide Salary		$3,000	$3,000
Employee Pre-Tax Transit Cost		$0	$50
FICA Taxes	7.65%	$230	$226
Salary and Payroll Cost		$3,230	$3,226
Tax Deduction	34%	$1,098	$1,097
Total Cost to Provide Salary		$2,131	$2,129
Employer-Paid Benefit		$0	$50
Tax Deduction	34%	$0	$17
Cost to Provide Benefit		$0	$33

APPENDIX C

CONFORMING AND NONCONFORMING STATES

States differ in whether they allow benefits exempted from federal taxes to be exempted from state income taxes as well. In general, a “conforming” state means that its definition of taxable income conforms to that of the federal government, while a “nonconforming” state uses its own definition. Therefore, in nonconforming states, commuter benefits may be subject to state income tax. However, there may be exceptions to this rule; users of this guidebook are advised to consult with a qualified tax specialist. Table C-1 provides further information.

TABLE C-1 Conforming and nonconforming states

State	Income Tax Status
Alabama	Nonconforming
Alaska	No state income tax
Arizona	Conforming
Arkansas	Nonconforming
California	Conforming
Colorado	Conforming
Connecticut	Conforming
Delaware	Conforming
District of Columbia	Conforming
Florida	No state income tax
Georgia	Conforming
Hawaii	Conforming
Idaho	Conforming
Illinois	Conforming
Indiana	Conforming
Iowa	Conforming
Kansas	Conforming
Kentucky	Conforming
Louisiana	Conforming
Maine	Conforming
Maryland	Conforming
Massachusetts	Conforming
Michigan	Conforming
Minnesota	Conforming
Mississippi	Nonconforming
Missouri	Conforming
Montana	Conforming
Nebraska	Conforming
Nevada	No state income tax
New Hampshire	Income tax on investments and dividends only
New Jersey	Nonconforming
New Mexico	Conforming
New York	Conforming
North Carolina	Conforming
North Dakota	Conforming
Ohio	Conforming
Oklahoma	Conforming
Oregon	Conforming
Pennsylvania	Nonconforming
Rhode Island	Conforming
South Carolina	Conforming
South Dakota	No state income tax
Tennessee	Income tax on investments and dividends only
Texas	No state income tax
Utah	Conforming
Vermont	Conforming
Virginia	Conforming
Washington	No state income tax
West Virginia	Conforming
Wisconsin	Conforming
Wyoming	No state income tax
Source: Federation of Tax Administrators (Available online at http://www.taxadmin.org/fta/rate/stg_pts.pdf)	

APPENDIX D
STUDY FINDINGS

METROPOLITAN AREA PROFILES

This appendix provides an overview of the interviews conducted with transportation agencies, including summaries of agency interviews in each of the metropolitan areas. These summaries provide a great deal of information on the experience with commuter benefits programs in each region and employer issues, from the agencies' perspectives, as well as detail on the experiences of individual employers.

Fifteen agencies in the five cities were interviewed. These agencies include the main regional rideshare/commuter assistance organization in each area: Commuter Connections in Washington, DC; CARAVAN for Commuters in Boston; South Florida Commuter Services in Miami/Fort Lauderdale; Metro Commuter Services in Minneapolis/St. Paul; and RIDES for Bay Area Commuters in the San Francisco Bay Area. In all five regions, these organizations were heavily involved in promoting commuter benefits to employers; in most cases they also publicized such programs to the general public. These agencies assisted the research team in identifying other agencies as appropriate, including TMAs, transit agencies, neighboring cities, metropolitan planning organizations, and sub-regional commuter assistance organizations. A full list of agencies interviewed by city is contained in Table D-1.

The transportation agencies typically reported similar experiences with employers in terms of barriers and obstacles encountered, as well as approaches used in marketing commuter benefits. These similarities are striking, considering the wide diversity of transit systems and commuter benefits programs available and being promoted in the regions.

METROPOLITAN AREA CHARACTERISTICS

Table D-2 summarizes available transit services and commuter benefits available in the five regions. Each area has various transit modes, including heavy rail, commuter rail, and bus, with the exception of Minneapolis/St. Paul, which operates only bus service. The levels of service and number of agencies involved vary significantly. Boston and Washington, DC, have intensely developed transit services, served by a dominant regional operator—Massachusetts Bay Transportation Authority (MBTA) and the Washington Metropolitan Area Transit Authority (WMATA), respectively. The San Francisco Bay Area, in contrast, has a half-dozen major transit operators, including BART, Muni, and Caltrain, each of which has significant ridership. South Florida's transit system contains multiple modes, but is less extensive, with only one heavy rail line and one commuter rail line.

The commuter benefits options in the regions also varied significantly. Four of the five metropolitan areas have a regional voucher, which is valid for all regional transit services and vanpools. Miami-Ft. Lauderdale does not have any regional voucher; employers must choose to participate in corporate pass programs or discount programs offered by the individual transit agencies. In the Washington, DC, area, a transit agency, WMATA, offers the regional Metrochek program. Metrocheks may be used directly as stored-value farecards on the regional Metrorail system or may be traded in for Metrobus passes or passes or tickets for other bus, rail, and vanpool operators in the region. Commuter Check, offered through Commuter Check Services Corp., is the regional voucher available in Boston, Minneapolis, and San Francisco. Although Commuter Check is the primary transit and vanpool benefit tool used by employers in the San Francisco Bay Area, where there are many different transit services, Commuter Check is less dominant in Boston and Minneapolis, where local transit pass programs are often used.

AGENCY CHARACTERISTICS AND PROGRAMS

Generally speaking, the regional commuter assistance organizations take the lead in promoting tax-free commuter benefits, in particular in publicizing pre-tax employee deductions for commuting expenses. Transit agencies appear to be less involved, with the exception of Washington, DC, where WMATA operates the regional voucher, and in Miami, where the transit agencies promote their individual pass programs.

Few agencies use the term "Commuter Choice" in their promotional materials or with individual employers. Most found the term too vague to carry any specific meaning, and many pointed out that employers are seldom familiar with the term. This report throughout refers to commuter benefits instead.

A summary of the agencies interviewed in each metropolitan area, along with their primary strategies and estimated level of participation, is contained in Table D-2. Most agencies reported that their one-on-one work with employers is among the most valuable assistance they provide, because many employers are unfamiliar with commuter benefits programs. Successful employer outreach programs include making frequent contact with employers, updating employer contacts, providing networking and training opportunities for employers, and targeting specific geographic areas. In reaching employers, agencies use targeted, rather than mass, advertising.

TABLE D-1 Summary of transportation agencies interviewed

Metro Area	Agencies Interviewed	Type of Agency	Role in Promoting Commuter Benefits	Participation in Programs
Washington, DC	Commuter Connections	Regional commuter assistance agency; part of MWCOG	Markets benefits to employers and general public; contracts for individual employer outreach	
	Arlington Transportation Partners	County-funded employer outreach arm of commuter assistance program	Does employer outreach for county on behalf of Commuter Connections	
	Washington Metropolitan Area Transit Authority	Transit agency	Markets Metrochek, its voucher, to employers	Estimated 170,000 employees receive Metrochek
Boston, MA	CARAVAN for Commuters	Statewide rideshare agency	Markets benefits to employers and general public	
	City of Cambridge	Municipality	Works with employers to implement both voluntary and mandatory trip reduction programs	
	Massachusetts Bay Transportation Authority	Transit agency	Administers Corporate Pass Program for employers	Estimated 1,800 to 2,000 employers in program
Miami/Fort Lauderdale, FL	South Florida Commuter Services	Regional commuter assistance program, funded by state	Markets benefits to employers and general public	Estimated at fewer than 5% of all employers
	Miami-Dade Transit	Transit agency (bus/rail)	Administers Corporate Pass Program for employers	86 employers in Corporate Pass Program
	Tri-Rail	Transit agency (commuter rail)	Administers Employee Discount Program	900 employers in Discount Program, of whom 30 offer direct benefits
Minneapolis/ St. Paul, MN	Metro Commuter Services	Regional commuter assistance agency; part of Metro Council	Markets benefits to employers and general public	50 in Metropass, 44 in Commuter Check, 500 in Transit Works; estimated 50% of downtown employers participate
	Downtown St. Paul TMO	TMO	Markets benefits to employers	
	Downtown Minneapolis TMO	TMO	Markets benefits to employers	
San Francisco Bay Area, CA	RIDES for Bay Area Commuters	Non-profit regional rideshare agency	Has contract with MPO to do employer outreach	Estimated 75,000 to 80,000 employees receive Commuter Check
	Metropolitan Transportation Commission	MPO	Markets benefits to the general public	
	Peninsula Traffic Congestion Relief Alliance	Joint powers association (all cities in San Mateo County)	Markets benefits to employers	

TABLE D-2 Characteristics of metro areas

Washington, DC	WMATA (heavy rail and bus), MARC and VRE (commuter rail)	Metrochek vouchers available from WMATA (good for all operators)
Boston, MA	MBTA (heavy, light, and commuter rail, bus, and ferry), private bus services	Commuter Check commercial vouchers (good for all operators); MBTA Corporate Pass Program
Miami/Fort Lauderdale, FL	Miami-Dade Transit (heavy rail, people mover, bus), Tri-Rail (commuter rail), two bus operators	Miami-Dade Transit Corporate Pass Program, Tri-Rail Employee Discount Program
Minneapolis/ St. Paul, MN	Metro Transit (local and express bus only), six other bus agencies (local, express, and dial-a-ride service)	Metropass (annual pass), TransitWorks (discounted passes), Commuter Check commercial vouchers (good for transit and vanpool operators)
San Francisco Bay Area, CA	Half-dozen major operators providing heavy, light, and commuter rail, bus, and ferry service	Commuter Check commercial vouchers (good for all operators)

PARTICIPATION IN COMMUTER BENEFITS PROGRAMS

The research team does not have reliable data on either the percentage of employers who participate in commuter benefits programs or the relative impacts of the marketing and assistance efforts of transportation agencies. Employer participation appears to be most affected by the density of land uses in a central business district and the availability of high-quality, frequent transit service. The ease of using available regional programs (such as vouchers or corporate pass programs) and marketing efforts by transportation agencies are far less influential. The first two factors are both more important and relatively fixed in each area, so it is difficult to measure the efforts of transportation agencies in various areas. In addition, transportation agencies can track only certain kinds of employer participation; for example, a transit agency may know how many employers participate in its corporate pass program, but not have information on how many employers use regional vouchers or cash reimbursement programs.

Table D-2 shows the estimates offered by various transportation agencies as to participation in their programs. The highest absolute number of participating *employees* is in the Washington, DC, area, which is not surprising given the prevalence of Metrochek among federal employees. Unfortunately, agencies did not supply consistent information, so one cannot compare exact percentages. However, it seems safe to say that voucher- or pass-based commuter benefit programs are most widespread in Washington and Boston, somewhat less in San Francisco and Minneapolis, and least widespread in Miami. There may be additional employers in each of these areas offering parking cash-out or cash reimbursement benefits.

MARKETING PROGRAMS

The agencies interviewed tend to focus more on employer outreach rather than on marketing to the general public. Table D-3 shows the most common types of employer outreach among the agencies interviewed.

Marketing to Employers

Because employer cooperation is essential to the success of commuter benefits programs, many agencies concentrate primarily or exclusively on reaching employers in the following ways.

Marketing Strategies and Messages

Agencies tend to use marketing strategies and messages designed specifically for employers. As mentioned earlier, the two most frequently cited messages to employers are the following:

- Offering commuter benefits contributes to employee recruitment and retention. This appeals to employers in a tight labor market and to those with high turnover.
- Commuter benefits are relatively low-cost. This appeals to employers concerned with the bottom line. Several agencies noted that commuter benefits are a much easier sell since the pre-tax and tax-free options became available. Also, commuter benefits are not as costly as other types of benefits (e.g., health insurance and retirement).

According to the agencies interviewed, environmental messages work with employers who already have a strong environmental awareness. However, employers who do not fit this description are generally uninterested in environmental benefits.

As Table D-3 illustrates, the most common method of working with employers is one-on-one. Some agencies have enough employers seeking out their services that they do not spend much time marketing to new employers; others undertake aggressive outreach efforts that include cold calling and direct mailing. Several agencies focus on specific areas, such as cities, business parks, or even individual buildings. In general, agencies that deal mostly in employer outreach do not use mass media, which is prohibitively costly.

One-on-One Attention

Probably the most effective tool agencies have to market commuter benefits is the ability to work with employers one on one. Many employers do not have sufficient time or interest to implement programs on their own, but with assistance and encouragement, they may be swayed. Some agencies have aggressive programs for cold-calling area employers to ensure that they are familiar with the services offered. Others seem to garner sufficient clientele through word of mouth.

Agencies that offer one-on-one attention generally serve as a kind of "one-stop shopping" for transportation services in their area, offering assistance with setting up not only commuter benefits programs, but guaranteed ride home, carpool and vanpool programs, and telecommuting. Generally, they begin by discussing the employer's needs and taking a survey of employees' commuting patterns. Part of their mission may also involve convincing employers that their services are needed; one characterized their main challenge as, "selling the unwanted to the unaware." None of the agencies interviewed charge employers for their services.

Marketing to the General Public

In general, there is overlap in marketing to employers and the general public. However, in two cities, there is a distinction between agencies in terms of marketing. In San Francisco, the MTC markets commuter benefits to a general audience, while RIDES for Bay Area Commuters markets to employers.

TABLE D-3 Employer outreach by transportation agency

Area	Agency Name	Staffing	One-on-One	Workshops	Transport'n Fairs	Mailings	Other
Washington, DC	Commuter Connections	18 sales staff on contract	Depends on sales representatives; generally yes	Yes	Yes	Yes	N/A
	Arlington Transport'n Partners	N/A	Yes	Yes	Yes	Yes	N/A
	WMATA	3 account representatives	Yes; employers with 100+ employees and/or 5 blks from stations	Yes; 16 seminars/year	Yes	Generally to existing clients	"Try Transit" week campaign
Boston	CARAVAN for Commuters	2 full-time for all commuter programs	Yes; work with 75-80 new employers (200-250 total) annually; mostly referrals, some cold calls	4 seminars/year	Yes	Have done to introduce tax benefits, but now work directly with employers	N/A
	City of Cambridge	N/A	Yes, mostly when employers approach them	N/A	N/A	Preparing TDM brochure that will include tax benefits info	N/A
Miami/Fort Lauderdale	South Florida Commuter Services	N/A	Yes; cold call employers	N/A	N/A	Yes	New campaign just started; includes pamphlets, posters
	Tri-Rail	N/A	Yes; mostly word-of-mouth (30-50 employers sign up every month)	N/A	Presentations at individual employers	N/A	N/A
Minneapolis	Metro Commuter Services	9 total; 2 full-time for employer outreach	Yes; cold call employers, also direct mail and referrals	Yes; five workshops or seminars/year on commuter benefits	Yes	Employer newsletter and monthly e-mail	"Transit Benefit$ Guide"; jointly produced with TMO; print ads
San Francisco Bay Area	RIDES for Bay Area Commuters	8 full-time for employer outreach	N/A	Two types: network meetings and workshops	N/A	Four mailings/year (3 promotions and 1 survey)	Marketing campaigns to specific cities/business parks
	Peninsula Traffic Congestion Relief Alliance		Yes; cold call employers		Yes	N/A	Considering joint letter with cities

In Arlington County, a suburb of Washington, DC, the county's Commuter Assistance Program markets to the general public, while their contractor, Arlington Transportation Partners, markets to employers. Table D-4 shows the types of public outreach strategies used.

Several agencies mentioned experiences with crossover marketing in which the campaign was targeted at employees, but ultimately designed to reach employers. One early campaign at WMATA urged employees to ask their employers about getting commuter benefits. The agency representative said that this approach was successful in raising general awareness among both employees and employers about a new commuter benefits program.

Agencies that market to the public are more likely to use broad-based advertising, especially station and vehicle advertising, than those marketing exclusively to employers.

TRANSPORTATION AGENCIES

The following write-ups provides more details on the individual metropolitan areas and the strategies and tactics of the transportation agencies interviewed in each area.

Washington, DC

Interviews Conducted

Nick Ramfos, Chief, Alternative Commute Services, Metropolitan Washington Council of Governments, April 10, 2001

Lorraine Taylor, Assistant Sales Manager, Washington Metropolitan Area Transit Authority, April 20, 2001

Lois DeMeester/Howard Jennings, Arlington Transportation Partners, April 24, 2001

Commuter Benefits Programs

In the Washington area, the regional voucher is known as Metrochek. Metrochek is issued by the Washington Metropolitan Area Transit Authority (WMATA), a regional transit provider that runs both heavy rail and bus service. Metrochek can be used as a direct fare media on the heavy rail system, or used as a voucher to purchase bus passes or fare media on other all transit providers in the region, as well as selected vanpools. WMATA does not offer a discount to employers, but the $20 denomination provides a 10-percent bonus to the

TABLE D-4 Public outreach by transportation agency

Area	Agency Name	Station/Vehicle Ads	Print Ads	Broadcast Ads	Mailing	Other
Washington, DC	Commuter Connections	Mobile billboards	No; not cost-effective	Yes	Yes	On-screen ads at cinemas
	Arlington Transportation Partners	Yes	Yes	Radio and cable TV		
	WMATA	Yes	Yes	Radio ads (no TV at least 8 years)		
Boston	CARAVAN for Commuters	Logo and phone number on vanpools				Will launch major PR campaign later in 2001
	City of Cambridge	Stations and taxi ads for "Go Green" month	No; too expensive	N/A		"Go Green" month: major environmental awareness campaign
Miami/Fort Lauderdale	South Florida Commuter Services			Radio ads	Newsletter	
Minneapolis	Metro Commuter Services	Name and phone number on vans; bus ads	Yes	Radio ads	Employee newsletter and e-mail	Metropass program and New Rider campaign
San Francisco Bay Area	MTC		Newspaper inserts	Radio and television, including one joint promotion with TV traffic reports		Direct mail

user (this is true for all $20 farecards, whether or not purchased through employers).

Agencies

The main agency marketing commuter benefits is Commuter Connections, a regional service sponsored by the MPO, Metropolitan Washington Council of Governments. Commuter Connections contracts with regional commuter assistance organizations and private firms to promote commuter benefits throughout the region. One of these is Arlington Transportation Partners, which operates within Arlington County.

In addition, since WMATA is the issuer of the voucher, WMATA is also involved in its promotion. The main difference between WMATA's efforts and Commuter Connections is that WMATA promotes only Metrochek, while Commuter Connections and the supporting organizations work with employers to promote a wide range of commuter benefits programs, including telecommuting and bicycling.

Participation

According to WMATA, approximately 170,000 employees in the region receive Metrochek. This includes a large number of federal government employees, because the federal government is required to offer the full benefit to their employees. In addition to the federal government, approximately 2,800 private-sector employers belong to the Metrochek program.

Marketing Activities

All three agencies had strong marketing programs directed largely at employers; one of the three focused exclusively on employers. The agencies all employ sales representatives whose main function is to serve as employer contacts. The ranges of strategies used to target employers included workshops, web site, e-mail and phone contact, direct mail, participation in trade associations and "transportation fairs," and sponsorship of special events such as "Try Transit Week."

Incentives

Arlington Transportation Partners offers a financial incentive to employers to sign up for Metrochek. They will pay 50 percent of the costs for a certain amount of time (up to 1 year), then the employer agrees to pay the full cost for an equal length of time.

Marketing to Employers

Although all three of the agencies use direct contacts with employers as a primary marketing strategy, for one agency this is their main focus. According to this interviewee, they spend a great deal of time "hand-holding" with employers, explaining the benefits and assisting the employers in deciding which would be appropriate for them to implement. Their marketing materials identify four levels of benefits that employers can sign up for:

- **Bronze.** Basic Informational Program
- **Silver.** Promotional Level (includes preferred parking and informal telework programs)
- **Gold.** Incentive Level (implement either Metrochek, commuter incentives for other modes, shuttle service, or parking fees)
- **Platinum.** Comprehensive Level (implement more than one incentive)

Marketing to Employees

The three agencies' marketing messages focus largely on the recruitment and retention aspects of transit benefits, emphasizing that transit benefits can reduce employee stress and lower the cost of finding and keeping good employees. One agency representative said that they try to vary the messages based on the type of employers or location, emphasizing aspects that they believe would most interest the employer. The agencies varied in whether they felt that the "bottom line" was a good argument for employers; one interviewee thought the cost issue was extremely important, while another thought it was almost irrelevant.

Use of Term "Commuter Choice"

Because the Metrochek voucher has good name recognition, it is the term used most frequently with employers.

Attributes of Employers That Contribute to Success

There was general agreement about which types of employers are more likely to adopt transit benefit programs:

- **Small.** Small firms face fewer administrative obstacles than do large firms and thus are more likely to implement transit benefits.
- **Single-site employers in urban areas or near transit.** Employers located in dense urban areas with transit access are more likely to implement. In the Washington, DC, area, employers near rail stations were more likely to implement than those near bus lines. Also, multiple sites made it harder to implement, because of administrative and equity concerns.
- **9-to-5 schedules.** It is easier for firms with traditional 9-to-5 shifts to implement transportation benefits, because transit access is generally best during peak periods. Employers with shift employees, such as hospitals, were seen as less likely to implement, at least for those employees working shifts. Sales employees, who are out of the office much of the day, are generally not good candidates. High-technology firms, known for their long hours, were also seen as less likely to implement.
- **Already have transportation-related programs.** This makes it more likely that an employer will implement, because it generally implies that the idea of transportation assistance has caught on at the employer, and there is likely to be a "champion" of the idea. It also helps if the person who will be implementing the program is already using transit.
- **Accounting, legal, and transportation fields.** One interviewee said that accounting and legal firms are often quick to adopt transportation benefits, probably because they grasp the cost savings and administrative issues more readily than other types of firms. Also, firms whose business is involved with transportation are more likely to implement.
- **Parking problems.** Firms with parking shortages are generally amenable to implementing transit benefits.

Barriers and Obstacles to Effective Programs, and Potential Solutions

The three agencies interviewed did not agree on what the main barriers for employer acceptance of pre-tax/tax-free transportation benefits are. Two agencies said that administrative problems seemed to be the largest barrier. On the detailed checklist, they both indicated the following barriers as major:

- Administrative time and expense to manage the benefit
- Determining how the benefit applies to different office sites
- Managing benefit distribution among multiple sites
- Distributing vouchers to employees

The other agency said that the major barrier to implementation is employer unawareness of the problems faced by their employees with regard to transportation. They characterized their main task as, "selling the unwanted to the unaware," meaning that most employers do not realize that their employees would prefer to commute via other means than driving alone. This agency saw their main task as making employers aware of the problem and presenting commuter benefits as a potential solution. Only after they made this point to employers did they work with them on detailed implementation issues. The barriers they identified as major included the following:

- Understanding how the benefits work and
- Cash flow required to buy large quantities of vouchers.

However, although they identified the barriers differently, all three agencies agreed that a key factor in convincing employers to implement transportation benefits is the effect on employees. Where transportation benefits can be shown to play a role in recruitment, retention, and increased productivity, employers will be far more interested. Several interviewees stressed that employee complaints about commuting have been a major factor in implementation. One said that her agency's most successful advertising campaign involved marketing directly to employees, with the theme of asking their employers to implement transit benefits.

Boston

Interviews Conducted

Kay Carson, Marketing and Communications Manager, CARAVAN for Commuters, June 1, 2001

Catherine Preston, Parking and Transportation Demand Management Officer, City of Cambridge, May 17, 2001
Joseph Barr, Transportation Demand Management Planner, City of Cambridge, June 13, 2001
Allison Simmons, Executive Director, Artery Business District TMA, June 5, 2001
Peter Swan, Account Executive, Massachusetts Bay Transportation Authority, June 15, 2001

Agencies

Boston area transit service is largely provided by the Massachusetts Bay Transportation Authority (MBTA), commonly known as the "T." MBTA provides heavy and light rail, commuter rail, bus, and ferry service throughout a large service area (78 cities and towns in a service area of over 1,000 square miles and 2.6 million people). Boston also has small private bus operators that largely serve outlying suburban areas.

The main agency promoting employer-paid and pre-tax benefits is CARAVAN for Commuters, a non-profit organization that works throughout the state of Massachusetts but is most active in and around Boston. CARAVAN has a contract through the Massachusetts Highway Department to do employer outreach. Although the MBTA has a very active corporate pass program, they do not promote the employer-paid or pre-tax possibilities aggressively. MBTA provides information on them in their standard information packet, but refers more detailed inquiries to either CARAVAN or the company's tax advisor.

Although the Boston area has some TMAs, neither of the two we contacted was actively involved in promoting transportation benefits. One, TranSComm, although technically a TMA, deals exclusively with one major employer, the Boston University Medical Campus. Another, the Artery Business Committee TMA, which serves downtown businesses, brought the change in tax law to the attention of their members, but does not actively promote transit benefits.

Commuter Benefits Programs

The main transit program in the region is the Corporate Pass Program, sponsored by the MBTA. Under the Corporate Pass Program, employers register with MBTA to receive passes delivered via overnight delivery once a month to their office. MBTA offers 15 types of monthly passes, any of which can be purchased through the Corporate Pass Program. Monthly T passes purchased through this program may be employer-paid, but many employers simply sell them at face value to their employees. The pass program is popular because of its convenience; T-Passes are not available at every station.

Although Commuter Check is available in the Boston area, it is not in widespread use. Most commuters who take transit live and work within the MBTA's service area, so many employers can cover them with the Corporate Pass Program. In addition, because of the scarcity of sales outlets for T passes, it is not always easy to redeem Commuter Checks. There are also anecdotal reports that although Commuter Checks are accepted at all MBTA sales outlets, clerks who are not familiar with them sometimes refuse to accept them as payment.

Participation

According to the MBTA, between 1,800 and 2,000 employers participate in the Corporate Pass Program. This represents 70 to 80 percent of the available corporate market. A substantial number of these clients (approximately 250) are state agencies. The number declined in late 2000 and early 2001 because of employers in the high-technology sector either cutting back on expenses or going out of business. The MBTA requires that employers must purchase at least five passes monthly to participate. There is no employer discount.

The MBTA no longer collects information on what percentage of its clients subsidize passes for employees. A survey taken before the tax legislation change found that fewer than 20 percent of employers subsidized passes. This percentage is probably higher now with the change in tax legislation.

Marketing Activities

The MBTA currently is not marketing the Corporate Pass Program very aggressively. They embarked on a major advertising blitz to employers beginning in the mid-1990s that lasted for several years. The campaign involved purchase of employer databases and frequent mass mailings, many targeted to employers near T stations. Thanks to this effort, the number of Corporate Pass clients more than doubled (from 900 to over 1,800). However, MBTA staff have decided that further major marketing efforts at this point would probably not result in many more new clients.

Marketing to Employers

CARAVAN has an active employer outreach program, with two full-time staff dedicated to working with employers. One does on-site visits and the other maintains the mailing list, deals with telephone inquiries, and works with Commuter Check.

CARAVAN has a mailing list of approximately 350 to 500 employers and works with approximately 75 to 80 new employers annually. Because CARAVAN often works fairly intensively with particular employers, they currently do not have the resources to work with more employers. Therefore, they are not aggressively seeking employers. CARAVAN does some limited cold calling, especially in conjunction with their occasional campaigns directed at specific geographic areas, but most of their clients (an estimated 90 percent) are found through word of mouth.

In the past, CARAVAN has done mailings to employer groups such as chambers of commerce, commercial property managers, and human resources organizations to promote commuter choice tax benefits to the employers they serve. However, they have found that most of these groups are now familiar with the tax benefits, so their current focus is on dealing directly with employers.

The City of Cambridge, in addition to its 1998 mandatory employer trip reduction ordinance, also has a voluntary trip reduction ordinance passed in 1992. The mandatory ordinance applies to any new commercial parking (either new construction or new parking for an existing building) and mandates that the associated development must meet certain trip reduction targets. Under the voluntary program, Cambridge staff encourage employers in the city to implement programs that discourage the use of single-occupant autos. According to Cambridge staff, the city has focused more efforts on the mandatory program over the past few years than the voluntary program. Most of the work that the city has done with employers on voluntary TDM measures has been because employers have come to them looking for alternatives to adding parking.

However, as part of the voluntary program Cambridge currently is preparing a TDM brochure that will discuss, among other TDM topics, transportation benefits and their tax implications. The brochure was professionally designed (as opposed to the previous brochure, which was designed in house) and the initial printing will be between 2,000 and 2,500 copies. The brochure is targeted at an employer audience and will be sent as a mass mailing to employers.

Marketing to the General Public

CARAVAN is planning a major public outreach campaign later this year; they have already hired a public relations firm. In the past, their public outreach has consisted largely of radio public service advertisements and local cable television. CARAVAN's 150 vanpools also serve as mobile advertising; most commuters who call CARAVAN for services learned of the group from seeing vanpool logos.

According to a CARAVAN representative, Commuter Choice's initial marketing campaign in Boston was directed at commuters rather than employers.

The City of Cambridge sponsors a "Go Green" month in May designed to increase environmental awareness. The event began 3 years ago as a 1-day event, and the City Council requested that it be expanded to an entire month. Included in the Go Green campaign was a series of print advertisements featuring famous local residents riding transit, bicycling, or walking. (Tax benefits are not mentioned.) The ads were used in station and taxi advertising, on the web site, and postcards; it was too expensive to advertise in the major area newspaper, and the circulation of Cambridge papers was deemed too small. The state grant that funded Go Green month did not include many funds for evaluation, so city officials are not sure of the number of people reached, but campaign did receive press coverage. Marketing materials developed for this campaign will be used in future outreach programs as well.

Messages

Several people commented that employers seem to respond best to messages that transportation benefits are very cost-effective. Such programs clearly benefit employees without incurring major costs to the employer. Employees can use transit benefits immediately. Also, they support recruitment and retention goals.

Use of Term "Commuter Choice"

There was no clear consensus on the meaning of the term "Commuter Choice." One agency uses the term in the phrase "commuter choice tax benefits" to describe the tax savings allowed by the new legislation. The phrase gets high marks from this agency because it does not sound bureaucratic and because it incorporates the word "commuter." On the other hand, another agency representative described the term as "absolutely not useful" because there are too many definitions of what the term means. No agency uses the Commuter Choice logo.

Lessons Learned/Effective Messages

In general, there appears to be both high awareness and use of transit benefits in the Boston area. Even before the legislative changes that allow tax breaks for employers and employees, many companies were offering some type of transit subsidy to their employees. This is probably because of the extensive transit infrastructure in Boston, as well as the scarcity of parking. Marketing efforts in Boston, therefore, do not need to involve raising employer awareness of the potential upside of transit benefits, because employers already know about the difficulties of commuting and the availability of transit alternatives.

Although administrative problems were frequently mentioned as a problem in other cities, agencies interviewed in Boston do not regard general administrative needs as a particular problem. This may be because the MBTA's Corporate Pass Program makes it easy for employers to implement transit benefits. Several agencies praised the program as being very easy for employers to understand and participate in.

One person interviewed said that transit benefits are easier to "sell" because they are voluntary. It is much more difficult for an agency to promote giving up parking spaces, which is often perceived as punitive. Use of transit benefits is generally a choice determined by the employee.

One person interviewed mentioned that employers do not respond well to negative messages. Opinions were divided on environmental messages; within companies that have a corporate culture emphasizing environmental concerns, environmental messages may be effective, but for most companies this is not a strong selling point. Also, one agency that had been using on-screen ads at movie theaters discontinued the practice because it did not seem to be very effective.

Attributes of Employers That Contribute to Success

Several employer attributes affect the receptivity of employers to transit benefits programs:

- **Office employers in urban areas or near transit.** The presence of transit is seen as the most important determinant of whether employers adopt transit benefits. Transit service must be nearby and relatively frequent. Although one agency thought that the specific transit mode available made no difference, another said that Red Line (heavy rail) service seemed to attract more use of transit benefits than Green Line (light rail) or bus service.
- **Parking availability.** Whether employers have parking available for their employees is another important factor; the less parking is available, the more likely employers are to offer transit benefits.
- **Small companies.** One agency thought that smaller employers are more likely to offer transit benefits than larger ones, because they do not encounter as many administrative issues or layers of decision making. However, another agency thought that employer size did not play a large role.
- **Corporate culture.** Corporate culture is important in several respects. First, some corporations have what one agency representative termed a "benefit-friendly" culture, in that they tend to give good benefits to their employees. Such companies tend to focus on the positive aspects of benefits, and are less likely to be deterred by administrative obstacles. The attitude of such employers is that if they think a program will benefit their employees, they will find a way to implement it. Second, support by upper management is critical to success. If the corporate culture as reflected by attitudes of managers supports transit benefits, such benefits will likely be implemented. Third, companies with a strong environmental awareness are more likely to implement transit benefits.
- **Regular schedules.** Companies with conventional 9-to-5 schedules are more likely to adopt transit benefits than those without such schedules, because their employees will be better able to take advantage of the benefit. One agency noted that firms with significant research and development components have generally not been interested in transit benefits, because their research staff tends to work long hours. However, the interviewee thought that this situation might change as these firms turn to marketing and sales activities and their support staff grows.
- **Young workforce.** One agency noted that transit benefits are more likely to be adopted by employers whose workforce is younger and therefore largely childless. These employees are less likely to require cars to pick up children at school or to run other errands related to childcare or school.

Barriers and Obstacles to Effective Programs, and Potential Solutions

The persons interviewed identified potential barriers to implementation of transit benefits. These barriers are discussed below in descending order of importance (i.e., the barriers cited most often are listed first). Where interviewees had suggestions regarding how these barriers might be overcome, these are included.

- **Costs.** Three interviewees agreed that the primary barrier is cost. When presented with the total annual cost, many companies find it too high. In addition, for small companies, the administrative fees charged by Commuter Check may make use of vouchers prohibitively expensive. Because employers cannot participate in the MBTA's Corporate Pass Program unless they purchase five passes per month, small employers may not have a cost-effective means to adopt transit benefits.

  One person pointed out that many downtown employers already have high mode splits for transit (60 to 70 percent). In such cases, it is unlikely that many additional employees will change modes if the employer begins to subsidize transit use. Therefore, these employers may believe that the tax savings do not outweigh the costs of the subsidy. In addition, there is no motive to implement transit benefits to decrease parking costs, because the company is already supplying very little parking.
- **Understanding How Benefits Work.** Two people said that a lack of understanding regarding how benefits work presents a barrier. Companies are not always familiar with the tax implications of adopting transit benefits.

  One person pointed out that once employers understand the concept, they are usually very willing to implement transit benefits. This points to the importance of having clear marketing materials, examples of how benefits work, and personal contact to answer questions about benefits. Another person noted that a calculator tool that could show employers their individual costs and tax savings would be very useful.

- **Concurrence from Upper Management.** Two people mentioned that it can be difficult to win approval from upper management. One potential solution is for agencies to try to meet directly with managers, given that employee transportation coordinators or benefits specialists are less likely to have decision-making authority.
- **Integrating Benefits into Existing Structures.** Two people mentioned that integrating benefits into either payroll systems or the benefits structure can be a barrier. This suggests that agencies may want to have specific examples of how this integration was accomplished at other companies.
- **Employee Transportation Coordinator (ETC) Turnover.** One person mentioned ETC turnover as a problem, because it is difficult to keep updated contact lists.
- **Concerns about Cheating.** One person interviewed said that almost all employers express concerns about cheating, such as the fear that employees will receive transit passes but not use them. However, it was also noted that this seldom seems to prevent employers from implementing the benefit. Generally, the agency's tactic is to point out that they are already trusting their employees in other matters, such as expense reimbursement, and that they can adapt existing systems to transit benefits.

Miami/Ft. Lauderdale

Interviews Conducted

David Burr/Kathy McCall, South Florida Commuter Services, May 15, 2001

Michael DeCossio, Marketing Manager, Miami-Dade Transit Agency, May 18, 2001

Rosemary Cortez (coordinates marketing Corporate Pass Program), Miami-Dade Transit Agency, May 30, 2001

Donna Fortier, Employee Discount Program Coordinator, Tri-Rail, June 1, 2001

Ann Doole (administers Corporate Pass Program), Miami-Dade Transit Agency, June 14, 2001

Agencies

Four major transit service providers serve South Florida residents:

- **Miami-Dade Transit,** which serves Miami-Dade County with bus, metrorail, and downtown people mover;
- **Tri-Rail**, a commuter railroad operating 18 train stations along a 71-mile corridor servicing Palm Beach, Broward, and Miami-Dade counties;
- **Broward County Transit**, which operates bus service primarily in Broward County; and
- **PalmTran**, which operates bus service in Palm Beach County.

Services connect among the region's transit service providers, with connecting bus service available at all 19 Tri-Rail stations, and a Tri-Rail-Metrorail transfer station in Miami.

South Florida Commuter Services (SFCS*)* is the primary regional commuter assistance organization, serving the entire tri-county area. Operated by a contractor through the Florida Department of Transportation, South Florida Commuter Services offers a wide variety of options, including a 24-hour call center, corporate carpool and vanpool programs, tri-county transit information, on-site rideshare promotions and displays, computerized rideshare matching, and an Emergency Ride Home program. SFCS works with employers throughout the region to set up transportation and parking programs, provide employee commute analysis, and provide training for on-site employee transportation coordinators. SFCS also works with the transit agencies to promote transit and refer employees to the appropriate transit services.

SFCS works with the transit service providers in the region and has monthly meetings with the marketing directors of the transit agencies to coordinate efforts. SFCS admitted that the relationship was not always that good, and there was some initial distrust by the transit agencies; however, now the agencies all work together well. In general, SFCS tends to spearhead and promote joint efforts with the transit agencies.

Commuter Benefits Programs

No regional transit/vanpool voucher is available in South Florida. The transit agencies, however, do market special transit passes to employers and employees in order to encourage increased transit use.

Miami-Dade Transit offers a Corporate Pass program. Under the program, an employer who purchases monthly passes in bulk can save money on the cost of each pass. Groups of 5–99 can save $6 each, and groups 100 and over save $8 each. A monthly pass typically costs $60, plus $5 for parking (Note: The monthly pass itself does not offer significant discounts over the cost of paying for fares each day; its primary benefit is the convenience).

Tri-Rail offers a somewhat unusual Employee Discount Program. Initiated in June 1992, the program is designed to build a business alliance to promote Tri-Rail. An employer who joins the program signs an agreement to promote Tri-Rail through one of several means (such as through paycheck stuffers, information in company newsletters, e-mail messages to employees, signage, or a management presentations). In exchange, employees at the participating employer receive a 25-percent discount on the cost of Tri-Rail tickets or passes. Employees get a special identification card, which qualifies the employee to purchase tickets or passes at a discount. The employer is not required to distribute tickets or passes to employees. Employees with the ID card can purchase the discounted tickets from Tri-Rail ticket machines. (The machines have two options for purchasing tickets: regular, and discounted. The program is enforced because anyone who shows a discounted ticket without the ID card is fined.) As a result, the employer makes a commitment to promote Tri-Rail, but does not directly provide the Tri-Rail tickets to employees, unless the employer chooses to subsidize tickets or do a pre-tax option.

Participation

A very small percentage of employers in South Florida currently offer commuter benefits programs to their employees. According to an estimate from SFCS, less than 5 percent of employers offer subsidized or pre-tax deductions for transit or vanpool benefits. No quantified data on the actual number of employers offering these benefits are available because SFCS does not track these figures.

According to Miami-Dade Transit, about 86 employers participate in the corporate pass program. Most are in one of three areas: Downtown Miami, Brickell, and a hospital district (Civic Center).

About 900 companies participate in Tri-Rail's Employee Discount Program; however, only 30 of those 900 employers actually subsidize tickets or use a pre-tax employee contribution program.

Marketing Activities

In spring 2001, SFCS began a formal campaign to raise awareness of commuter choice tax benefits. This campaign has involved development of special marketing materials on the commuter choice tax benefits, including pamphlets and posters about the benefits. The primary mechanism for the campaign, however, is incorporating messages about commuter choice tax benefits into on-going communications efforts, such as newsletter, radio advertisements, and employer outreach. These marketing efforts are aimed at selling a family of services, including an Emergency Ride Home program and employer assistance. For example, in the radio campaign about the commuter assistance program, SFCS now incorporates information such as, "And now transit riders can save up to $65 per month. . . ." SFCS also is working on a new web site that will contain information on the commuter choice tax benefits.

SFCS referred to its approach as a "push-pull" marketing strategy. Rather than focusing solely on employers or on the public, the organization encourages employers to see the benefits of the program and encourages employees to ask their employers about it.

Neither Miami-Dade Transit nor Tri-Rail has a "formal" program to promote the commuter choice tax benefit options. Although Miami-Dade Transit promotes its corporate pass program, it has not undertaken a special marketing effort to promote the tax benefits and does not plan to do so in the near future. The marketing staff at Miami-Dade Transit generally confine their efforts to providing transit information to the public and employers. According to staff at the agency, the transit agency is underfunded, and, as a result, its efforts are focused foremost on educating the public about the benefits of transit in order to increase ridership and public support for transit. The agency has distributed some mailings that included information about the tax-free and pre-tax benefits but with little success—the agency received no calls in response to an advertisement that mentioned these benefits. SFCS did mention, however, that the agencies cooperate together, and that Miami-Dade Transit was willing to pay for some of the printing costs for a commuter benefits brochure, and staff from SFCS often go to events with staff from Miami-Dade Transit for transit fairs and other events.

Although Tri-Rail does not have a "formal" Commuter Choice marketing program and has not developed specific marketing materials on the tax benefits, it has taken a much more active role in getting information out through its Employee Discount Program. According to the program coordinator, she is saturating her market with information about the pre-tax program with the goal of introducing every employer in the program to information about the tax benefits.

Marketing to Employers

All three of the agencies interviewed (SFCS, Miami-Dade Transit, and Tri-Rail) market their programs directly to employers. The two transit agencies often coordinate their events with SFCS, and Miami-Dade Transit, in particular, relies heavily on SFCS to be the lead in working directly with employers (on a one-on-one basis) in its service area. SFCS's program of outreach to employers started long before the commuter choice tax benefits were available. The agency has incorporated efforts to promote the tax benefits into its on-going employer services. SFCS takes a sales approach, using cold calls, its web site, and direct mail to reach employers. Miami-Dade Transit's outreach to employers appears to consist primarily of Commuter Service Days, where staff go out to buildings to explain the Corporate Pass Program to businesses.

Tri-Rail actively works with employers through its Employee Discount program. Tri-Rail includes basic information on commuter tax benefits in all the employer packets and employee packets that it provides to companies participating in the program. Tri-Rail has not, however, developed special advertising on commuter tax benefits. Tri-Rail promotes the tax benefits primarily through its existing contacts with employers and when asked to do a presentation by an employer to employees. The organization does not make cold calls to employers because, according to the Employee Discount Program coordinator, the "phones are ringing off the hook" and there really is no time for cold calls. Every month, about 30 to 50 new employers have been signing up for the Employee Discount Program, so just working with these employers is a full-time job. Tri-Rail does not actively seek out individual employers, but the general marketing efforts appear to be successful in gaining employer interest in the Employee Discount Program.

Moreover, like the staff at SFCS, the coordinator of the Tri-Rail Employee Discount Program emphasized that she works with each employer on an individual basis to determine needs at the employer's site. Although about 75 percent of the employers fall within the program guidelines and are easy to handle, she stated that about 25 percent of employers have unique circumstances that require special attention. For example, Tri-Rail is now developing a special federal government ticket that federal agencies in South Florida can distribute to their employees. Because the federal agencies will be subsidizing transit for all employees, the government can simply order the special tickets and distribute them to employees. That way, the government agencies do not need to go through the process of getting Tri-Rail ID cards made for each employee. The employees can just show a government ID on the train with their tickets. Tri-Rail is considering expanding this program to other public-sector agencies in state and local government that are becoming interested in transit benefits programs.

None of the agencies offers tax assistance to employers or refers employers to consultants or outside service providers.

Marketing to the General Public

South Florida Commuter Services and Tri-Rail both introduce the concept of pre-tax and tax-free benefits to employees through general marketing pieces. The objective is to encourage employees to ask their employers about offering the benefits. In contrast, because of limited funding, Miami-Dade Transit has not undertaken marketing efforts to inform the public of the tax benefits.

Messages

The marketing efforts used by the agencies to promote the tax benefits and employer programs tend to emphasize the cost savings to employers and employees. SCS tries to get employees interested in asking their employers about the benefits and to get employers interested in the tax savings. For example, SFCS has used the message "My Employer Pays Me to Ride Transit" as a way to entice commuters to inquire about the program with their employers. SFCS has also used the message "Helping Employers Give Tax Savings and Gain Tax Breaks."

Tri-Rail markets the pre-tax and tax-free options by simply asking employers, "Did you know that you can save taxes through these new programs?" That alone usually is enough to capture their attention.

Use of Term "Commuter Choice"

Within the region, use of the term "Commuter Choice" differed among agencies. SFCS has begun an active campaign using the term "Commuter Choice." The marketing campaign uses the term "Commuter Choice" to mean the tax-free and pre-tax transit/vanpool benefits now available because of changes in tax legislation resulting from TEA-21. The Commuter Choice marketing materials use a patriotic theme, with stars and stripe, and red, white, blue, and gold colors. However, they do not use the Commuter Choice logo developed by FTA.

In contrast, Miami-Dade Transit and Tri-Rail do not use the term "Commuter Choice."

Lessons Learned/Effective Messages

Given that the tax benefits are relatively new and the agencies efforts to promote them are recent, the agencies did not provide great detail on what really seems to work versus what does not. However, there were some general observations, particularly from South Florida Commuter Services, on the following:

- **Messages about Employee Satisfaction and Recruitment and Retention.** SFCS sells the pre-tax/tax-free transit/vanpool benefit programs as yet another benefit that an employer can provide to make their organization a better place to work. Messages that appeal to employers are that these benefits can help to keep quality people; increase employee morale and, therefore, enhance employee productivity; improve recruitment and retention; and create a positive attitude toward the organization. The goal is for employers to see commuter benefits not solely as a transportation issue, but as a benefits issue that can improve the quality of life for employees.
- **Costs and Administration**. Another important message for employers is that it is not too difficult, and it can also save money by eliminating the need to create parking.
- **Case Studies**. Employers seem to respond well to case studies of places where these benefits have been implemented. Case studies provide some tangible evidence that companies can implement successful programs and helps them get over the hurdle that it is too complicated. For example, SFCS has used a case study of Intel in California. Even though the case study is from outside the region, this type of example is extremely useful. According to SFCS, case studies are one of the best sales tools.
- **Competition**. Based on experience with employers, showing that the competition is doing good things in terms of commuter benefits helps to motivate companies to say "why aren't we doing the same?" This experience may apply to the tax benefits too.

Attributes of Employers That Contribute to Success

Some employer attributes that affect their receptivity to transit benefits programs are as follows:

- **Location/Type and Amount of Transit.** The availability of transit was consistently identified as a key factor in employer interest in transit pass programs. In areas with good transit services, like downtown Miami, there is demand. In suburban locations, there is very little demand.
- **Clerical or Professional Jobs.** Although the agencies noted a number of different types of employers participating in transit pass programs, they noted that most of them tend to offer clerical or professional services. Law firms, hospitals, and dot.com companies were identified as implementers. Generally these are professions that tend to have better educated staff earning higher wages.

There was no consistent response from the agencies about company size. According to SFCS, larger employers (over 100 employees) are most likely to be interested. Large, established, seasoned companies were identified as a target because these companies tend to have a "life-issues manager" or one person in charge of employee benefits issues, who is a direct point of contact in the firm. These companies also seem to be more compelled than smaller, newer companies. For example, SFCS said they are not seeing a lot of dot.coms participating. Moreover, vanpooling is most amenable to large companies.

Miami-Dade Transit, however, said that many small companies participate in the Corporate Pass Program. Tri-Rail said that employee size does not really matter. They have both small and large companies participating in the Employee Discount Program. For example, a small electronics company with perhaps 125 people offers pre-tax transit, and about 90 percent of employees use transit. Large companies, such as Motorola, subsidize employee transit benefits. Broward County, a large employer, is now going to set up a pre-tax program. At one company with a pre-tax program, only one employee participates in the pre-tax option. The agencies did agree, however, that having multiple offices, and perhaps a headquarters outside the region, could make it more difficult to set up a program.

Barriers and Obstacles to Effective Programs and Potential Solutions

The persons interviewed identified potential barriers to implementation of transit benefits. The issues identified as most important differed somewhat among the agencies, so there was no clear consensus on one overarching issue for the region. The barriers are discussed below in perceived order of importance (i.e., the barriers cited most often or most strongly emphasized are listed first). Where interviewees had suggestions regarding how these barriers might be overcome, these suggestions are included.

- **Limited Transit Service.** Limited transit service was emphasized by the Miami-Dade Transit Agency as the most significant barrier limiting adoption of employer-based transit benefits in the region. The agency contact stressed that "the product is the problem." The service does not really meet the needs of many employers in the region. The agency contact noted that MDTA has only one metrorail line and 600 buses serving a metro area of over 2 million people. Many suburban office parks and corporate headquarters in the region are not served by transit, or the transit services are so limited (one bus every hour) that the employer does not think of transit as a benefit. The agency contact emphasized the need for additional transit funding to support improved services before it is likely that employers throughout the region will get interested in transit. Outside of downtown Miami, MDTA has few employers participating in the Corporate Pass Program.
- **Administrative Hassle.** According to SFCS, the major barrier or reason that companies do not offer the pre-tax or tax-free benefits is that employers perceive it as an administrative problem. Employers often see messages of how easy it is to implement, and think that this is just public relations.

  There may be some truth in terms of the difficulty of obtaining MDTA transit passes. The Miami-Dade Transit Agency requires that employers participating in the Corporate Pass Program pick up the transit passes at MDTA's offices downtown. As a result, the lack of opportunities to pick up passes in locations outside of downtown and the fact that the agency does not mail out the passes could be a barrier for employers located in suburban locations. In contrast, Tri-Rail sends the passes directly to the employer and even delivers the passes, if needed.
- **Convincing Upper Management to Implement.** Convincing upper management that the program is a good idea was identified as a major barrier by all of the agencies. One agency suggested that even if staff in a local agency are interested in a program, the headquarters could be a barrier, and it is important to either go right to the source or to provide the interested person with enough information to convince management.
- **Understanding How the Pre-Tax/Tax-Free Options Work/Lack of Information.** The Tri-Rail program coordinator emphasized the need for a clear, concise educational brochure for employers on the pre-tax transit option. She distributes to employers a brochure developed by APTA on the pre-tax option. However, she said that she sometimes gets questions that she is unable to answer when meeting with accountants within a company. Better literature and training, would be extremely helpful. Tri-Rail mentioned that many employers may

think it is too confusing, which is a problem. Moreover, she admitted that she does not have enough information to really explain how a pre-tax program would work for them. Also attractive collateral material that clearly explains how the program works can be beneficial.

All of the agencies identified determining how a benefit program applies to different office sites as a barrier for large employers with multiple locations.

- **Lack of Coordination/Consistent Message Among Agencies.** Although not specifically mentioned by any of the three agencies, it appears that coordination is not fully developed among the agencies in terms of providing a consistent message about transit/vanpool benefits. Although the agencies reported that there is a good working relationship among them, each of them made specific recommendations for improvement. For example, the transit agencies have not provided lists of companies participating in their individual programs to SFCS. Also, the transit agencies are not actively using the expertise of SFCS to provide additional assistance to employers. For example, when asked what would be done if a company has specific questions about commuter benefits legislation or tax issues, one of the transit agencies said that it would refer employers to the FTA for guidance. The transit agency did not mention referring the employer to SFCS, even though SFCS is developing information and resources, including a CD-ROM on the commuter choice tax benefits. This lack of coordination may be due in part to the newness of SFCS's efforts on commuter choice and may be remedied in the future.

  In another example, Miami-Dade County does not participate in the Tri-Rail Employee Discount Program or consider a pre-tax option for Tri-Rail. According to transit operator representatives, the jurisdiction has stated that employees who work for the local government should live in Miami-Dade County. As a result, even though many employees use Tri-Rail and even though Tri-Rail tickets are good for a round-trip on Metrorail, the county does not want to encourage use of the commuter rail system.

Other issues were not seen as major obstacles. For example, cash flow needed to buy large quantities of passes was not seen as an issue by Tri-Rail. Most companies order passes and send back what they do not use. Small companies generally pay for the passes up front by sending a check or credit card number with their order. Large companies are billed for what they use.

Minneapolis/St. Paul

Interviews Conducted

Cami Zimmer, Downtown St. Paul TMO, May 24, 2001
Patty Carlson, Manager, Metro Commuter Services, May 25, 2001
David Van Hattum, Downtown Minneapolis TMO, May 29, 2001

Commuter Benefits Programs

There are three primary transit/vanpool benefit programs promoted in the region:

- **Metropass program**. The employer purchases an annual pass for employees. The employer pays quarterly (at a rate of $54 per month per employee). However, the employer only pays based on the current number of transit riders. An employee survey is used to determine current ridership. The Metropass price then is calculated using an average system fare per month per rider. The total price remains about the same for 2 years, even if ridership increases during that time, so the more employees who participate in the program, the more cost-effective Metropass is for an employer. After that period, the cost rises based on participation. The pass is good on all regional bus services. In many cases, the employer sells the Metropasses to employees: many sell them for about $20 per month.
- **TransitWorks!** The region's most popular transit discount program, TransitWorks! gives employees at participating companies a 5- to 10-percent discount off the retail price of bus fares. A company representative orders the quantity of SuperSavers it needs for employees each month. An invoice is included along with the bus passes, and the employer has 30 days to pay. Thirty-one-day passes are offered to the public at a 10-percent discount, and TransitWorks! participants receive an added 10-percent discount, for a total discount of 20 percent. Stored-value cards can be used on the bus at any time; they never expire. They are sold for $10, $15, or $20, and each card contains a cash value 10-percent greater than its retail price. TransitWorks! members receive a 5-percent discount off the retail price.
- **Commuter Check**. Commuter Check vouchers are available in the region. They can be traded in for bus passes or for use on vanpools. Commuter Check is promoted on a statewide basis.

Agencies

Agencies involved in promoting the commuter choice benefit options include Metro Commuter Service, and transportation management organizations, including the Downtown Minneapolis TMO and the Downtown St. Paul TMO. In addition, Metro Transit also has an employer outreach program.

Metro Commuter Services is part of the Metropolitan Council; it funds TMOs and TMAs throughout Minneapolis, handles the regional ridematching program, and brings all the organizations working with employers together once a month for a meeting. The agencies expressed strong working relationships, with frequent joint activities, coordinated campaigns, and a coordinated message.

Participation

A high percentage of employers in the downtown areas of Minneapolis and St. Paul participate in at least one of the three commuter choice benefit programs. The agencies did not have exact figures because some employers may be participating in programs without knowledge of the TMOs. However, it was estimated that about 50 percent of employers in downtown Minneapolis and St. Paul participate in some form of the Commuter Choice program. Most of the activity is in the two downtowns, not the suburbs, because this is where the major transit services provide the best service.

According to Metro Commuter Services, about 50 companies participate in Metropass and 44 employers participate in Commuter Check. About 500 employers participate in TransitWorks.

Some companies are also using cash reimbursement arrangements for transit/vanpool benefits through third-party administrators.

Marketing Activities

The transportation agencies in the region aggressively promote commuter choice options to employers. The agencies have worked together to develop effective marketing materials on the tax benefits, including a well-designed "Transit Benefit$ Guide," which explains how employers and employees can save money through transit benefits, steps to implement transit benefits, and answers to common questions. The lead person behind the content is from the Downtown Minneapolis TMO; Metro Commuter Services paid for printing of the brochure. The agencies also collaborated on a Commuter Choice CD for employers.

The emphasis of the efforts regionally has been on transit and vanpool benefits. According to the TMOs interviewed, efforts in the two downtowns have largely focused on transit benefits. The agencies do not promote pre-tax parking benefits, although parking is often a prime topic in employer discussions and the agencies will offer assistance and address the issue of pre-tax parking if asked. The emphasis in this case has been to show how the cost savings of pre-tax parking could be used to support transit. For example, Hennepin County set up a transit incentive program using the payroll tax savings from offering pre-tax parking. Regionally, there have also been some efforts to promote parking cash-out, primarily through the Downtown Minneapolis TMO.

Marketing Different Commuter Benefits Options

Given the different commuter choice programs available in the region, the agencies do not want the different programs to compete against each other. As a result, they market the different services in different ways, targeting a specific niche for the different services. According to Metro Commuter Services, Commuter Check is fairly new in the region and is marketed to employers where the TransitWorks! program and Metropass program do not operate as well. For example, since Commuter Check can be used on vanpools, while TransitWorks and Metropass are only good on transit, Commuter Check is marketed to companies with vanpoolers. It is also marketed to employers who do not have someone on site to hand out passes, including federal agencies, and companies with offices in other cities where the firm may be familiar with Commuter Check or using Commuter Check. Generally, it was thought that Commuter Check also worked well for smaller employers. Metropass is marketed and works best for very large companies because of the discounts associated with the program based on participation and because of the annual nature of the pass. Some companies even offer two programs: for example, some companies offer Metropass and Commuter Check. Metropass is used by transit riders, while Commuter Check is used primarily by vanpoolers.

The options are marketed most heavily in the downtowns, which are seen as the primary markets.

Incentives

The agencies offer significant incentives for participating in a commuter choice program. In addition to the costs savings associated with the Metropass and TransitWorks! programs, Metro Commuter Services pays the shipping costs and administrative fee associated with obtaining the Commuter Check vouchers and subsidizes the vouchers by 10 percent.

The state of Minnesota also offers a tax break for companies that offer transit or vanpool benefits, so information about the tax credit is also included in materials.

Marketing to Employers

The agencies work directly with employers through various means, including workshops, direct one-on-one contacts, and cold calls. At Metro Commuter Services, there are two staff persons whose sole job is to work with employers to get them signed up in one of the benefit programs. The agencies also have information about the commuter choice programs in their newsletters. Two newsletters are distributed: one targeted to employers and one targeted to employees.

Employers also hear about the Commuter Choice program and services of Metro Commuter Services through ads in weekly newspapers and magazines. In addition, advertisements have been placed in business journals, such as Twin Cities Business Monthly and The Business Journal. Television advertisements have not been undertaken due to the cost. Radio advertisements have been used for other programs, but not for the commuter choice benefits. At least two workshops have been held each year on the tax benefits.

In marketing to employers, the two downtown TMOs identified large companies (100+ employees) as their primary target. When the TMOs try to prioritize, the 100+ employers offer the greatest potential impact. In addition, the agencies have also found it effective to focus on whole buildings. Sometimes, one office building may include employers of different sizes. Rather than approaching each company separately, having a focused effort on a building-basis can be effective.

Marketing to Employees

Employees hear messages about the transit benefits through newsletters and other general public outreach efforts, and Metro has a broad campaign on the Metropass program. The region, however, has not done a lot to promote the commuter benefits directly to employees because it is the companies that need to implement the programs. One agency contact said that they try to maintain good relationships with HR staff.

Messages

Two primary messages were consistently identified by all of the agencies:

- Commuter benefits programs help with employee recruitment and retention, and
- They help companies save money.

All of the marketing focuses on the bottom line: what it will save a company and how will it make a company a more attractive place to work. The emphasis is on conveying information in standard business terms and in terms of employer concerns. Transit benefits are shown to be the most cost-effective choice. Moreover, one of the agencies also said they try to emphasize that setting up programs is easy.

Use of Term "Commuter Choice"

The term "Commuter Choice" is not used in promotional activities. The agencies expressed that they try to use terminology that relates more directly to employers and is easier to understand, such as "transit benefits," "tax benefits," or employee "benefits." One of the agency contacts remarked, "No one knows what Commuter Choice means."

Also, at one point, prior to TEA-21 (about 11 years ago), as part of the regional BBOP (Bike, Bus, or Pool) event, the region developed a "Commuter Choice week" and Commuter Choice awards program. However, this was not in connection with the tax benefit options, and the term has not really been used since then.

NOTE: Since these interviews were conducted, the agencies have decided to use other terms (e.g., replacing "alternative transportation" with "commuter choices" and renaming "employer transportation coordinators" as "commuter benefits coordinators"). The Commuter Choice awards name has remained. The change occurred because DOT and EPA have begun defining the term more broadly to include components outside of transit/vanpool tax benefits. One term can cover a broad array of services, including those offered by the TMOs, and can be used for both suburban and downtown employers.

Lessons Learned/Effective Messages

When asked what the agencies think really convinces employers to implement commuter benefits programs, the following messages were identified:

- **Cost-effectiveness.** Let the employers see how really cost-effective it is to provide the benefit.
- **Employees are asking for it.** Once there is enough saturation in a market (like in the downtown areas), employers realize that employees are asking for the benefit. This really makes the employer take notice.

Of the different ways that the agencies have marketed commuter benefits, talking to people directly was identified as the most effective method. One agency contact said that employers' interest is piqued when the agency holds a seminar, a free breakfast, or other event. It is important to meet employers face to face, guide them through the process, establish a relationship, and be persistent. In some cases, it has taken a substantial amount of time to sign up an employer. In one case, it took 2 years for a company to implement Metropass.

In addition, one of the agency contacts thought that newsletters and other targeted information pieces were quite effective. In particular, having a form that employers can fax in to request information (rather than putting it in the mail) was identified as successful. It was not clear to the agencies what has been least effective. However, general advertising was identified by one agency as possibly least effective. Metro Commuter Services said that they are studying whether placing advertisements in employee benefits magazines (focused on HR staff) are effective.

It also appears that having one person in the region develop expertise on tax issues has been valuable in promoting the program. Contacts in all of the agencies interviewed identified Dave Van Hattum of the Downtown Minneapolis TMO as the tax specialist in the region. The other people promoting transit and vanpool benefits are able to refer employers to him for additional information related to tax issues.

Attributes of Employers That Contribute to Success

Some employer attributes that affect their receptivity to transit benefits programs are as follows:

- **Downtown Location.** All of the agencies remarked that downtown areas are the best market for these options and the primary areas for adoption.
- **Service Industries.** Banks/financial, law firms, insurance agencies, computer-related companies—mostly white collar jobs—were identified as the primary market for these benefits. Many of these companies have a large number of support staff or moderately-paid employees for whom transit benefits are an important employee benefit.
- **Employers with Dedicated HR Staff.** Small companies are often difficult to reach because they don't have internal resources to focus on benefits issues.

Barriers and Obstacles to Effective Programs and Potential Solutions

The persons interviewed identified potential barriers to implementation of transit benefits. The issues identified as most important differed somewhat among the agencies, so there was no clear consensus on one overarching issue for the region. The barriers are discussed below in perceived order of importance (i.e., the barriers cited most often or most strongly emphasized are listed first). Where interviewees had suggestions regarding how these barriers might be overcome, these suggestions are included.

- **Administrative Time/Other Priorities.** For one reason or another, many employers do not implement a program even if it seems to be a good idea. Even though implementing a program can save money, it takes HR staff time to implement and operate, and many companies just are not able to commit the effort to get a program started. For some companies, HR staff are focused on other priorities. In particular, it was noted that a number of companies are undergoing mergers or acquisitions, and HR staff are focused on addressing the issues associated with those changes.
- **Dealing with Multiple Work Sites.** One of the major barriers identified was a lack of willingness to put a program in place in one location exclusively. This has been both a concern with equity and with who controls payroll. Even if the local office is convinced that implementing transit/vanpool benefits is a good idea, a headquarters office may not want to implement a program only in Minneapolis for reasons of equity among staff in different offices. Moreover, if payroll is handled outside of Minneapolis, particularly in a location without regular bus service, it may be even more difficult to persuade headquarters to implement a transit benefits program.

  In terms of potential solutions, one agency remarked, "that is where Commuter Check has been helpful." The fact that Commuter Check is used in many urban areas across the United States and is recognized by headquarters offices in San Francisco, or Boston, or other cities, may help that company to get transit/vanpool benefits implemented in the Minneapolis area.
- **Equity Concerns.** As noted above, equity concerns were raised as a problem for firms with multiple locations. In addition, equity concerns were also raised regarding the fact that only transit and vanpool users can receive the benefits. "What about carpoolers and bicyclists?" is a question that has been raised by some companies. Some companies say that they cannot implement the benefit unless it benefits both drivers and bus riders. Although it is not clear to what extent this is an issue for different types of companies, equity was raised as an important issue by all of the agencies.

  A potential solution identified by one of the agencies would be a "parking voucher" that employers could use to promote carpooling and vanpooling. Employers would be able to provide the parking voucher to subsidize parking for carpoolers/vanpoolers.
- **Understanding How the Benefits Work.** Understanding how the commuter benefits work was identified as an important barrier for employers. The Metropass program alone is somewhat complicated because the cost of the program depends on participation and the cost also changes over time. Explaining the program can be time-consuming. Employers can be overwhelmed when employer contributions, pre-tax payroll deductions, the state tax credit, and so forth, are added to the discussion.

  In order to overcome this barrier, the region developed the Transit Benefit$ Guide that states in clear simple language and graphics the different transit incentives, how transit benefits save employees commuting costs, and includes "10 Easy Steps to Implement Transit Benefits."
- **Integrating into the Employee Payroll System.** It was noted that payroll systems often are the most problematic. In some cases, the payroll staff did not take out the money reserved for transit. Some companies only allow employees one choice: take out $60 per month. One person interviewed remarked, "payroll people are an untapped audience," meaning that agencies might want to consider speaking with payroll staff directly.
- **Cash Flow.** For TransitWorks! and Commuter Check, cash flow was not identified as a problem. However, cash flow was identified as a potential barrier for the annual Metropass. Under that program, the employer pays quarterly.
- **Convincing Upper Management.** Convincing upper management to implement a program was identified as an important barrier.
- **Small Size of Company/Limited Internal Resources.** Smaller companies were identified as difficult to reach

because they often do not have the resources to focus on implementing a program. In addition, smaller companies do not achieve some of the benefits of Metropass (for example, bulk discounts). One potential solution identified is to get the small employers to sign up together for a Metropass program through a consolidating agency, so an agglomeration of companies can sign up for the program. The challenge with this solution is to arrange who would manage/oversee the program.

- **Needs.** When asked what products, marketing tools, or training products would make promoting commuter benefits easier, the agencies responded with the following list:
  - A "parking voucher" that could be used to promote carpooling/vanpooling,
  - More staff, and
  - More workshops with accountants or tax experts.

  One of the agencies responded that, in terms of getting the word out [nationwide], something short, to the point, and appealing and inviting to explain the different options is needed. Not a booklet, but something short and simple. There is considerable complexity in the different programs, so sometimes just explaining the programs is difficult.

  One other agency contact noted that the most important need would be for this information to come through business and professional organizations, so that HR/Benefits people obtain the information through their industry colleagues. Also, the contact suggested that the federal government could play an important role in promoting Commuter Choice as a national program (again, possibly to get at the barrier associated with having offices in multiple cities). The program should provide pointers for employers. Rather than pointing people to regulations, it needs to be user-friendly and point them to simple-to-understand information for implementing a program.

San Francisco Bay Area

Interviews Conducted

Robert Huang, Marketing Manager, Metropolitan Transportation Commission, May 11, 2001

Jeff Becerra, Director of Marketing and Outreach, RIDES for Bay Area Commuters, May 21, 2001

David Nelson, Transportation Programs Manager, Peninsula Traffic Congestion Relief Alliance, May 25, 2001

Agencies

The nine-county Bay Area has a half-dozen major transit operators, all of which have different service areas and fare structures. Unlike many other metropolitan areas, which have one main operator and numerous small operators, the Bay Area has a number of major operators and numerous small operators. Transit modes include heavy rail, light rail, commuter rail, bus, and ferry. With a few exceptions, the transit operators do not exhibit much cooperation; for example, they maintain separate fare media and do not operate timed transfers between operators.

The main agencies involved in promotion of transit benefits are the Metropolitan Transportation Commission (MTC), which is the region's metropolitan planning organization, and RIDES for Bay Area Commuters (RIDES), a regional rideshare organization. Most marketing of Commuter Check to employers is done by RIDES, which is funded by MTC. As part of their contract, RIDES performs employer outreach, while MTC markets to the general public. RIDES also fulfils requests for information packets on Commuter Check. Both RIDES and MTC serve the entire Bay Area.

Although several organizations promote alternative commuting, a quick phone survey revealed that they tend to refer employers who ask about Commuter Check to RIDES. The Peninsula Traffic Congestion Relief Alliance (the Alliance) in San Mateo County is one of the few agencies that markets Commuter Check directly to employers. The Alliance is a joint powers association, which is a means under California law by which public agencies can form an organization. The Alliance was formed in 2000 from two previous agencies that covered different portions of the county; the Alliance covers all 15 cities in the county.

Commuter Benefits Programs

The main commuter benefits program in the region is Commuter Check, which has had a contract with the MTC since 1991. Commuter Check is accepted by all fixed-route transit operators.

Currently, only very limited transfer agreements exist between transit operators, so an employee who takes two separate transit modes must purchase two fare media. MTC is working on a SmartCard program, which could be used on multiple transit modes. The program also could compute discounts for transfers automatically. However, MTC did not give a potential launch date for the SmartCard program.

Participation

One interviewee estimated that 75,000 to 80,000 employees in the Bay Area receive Commuter Checks.

Marketing to Employers and the Public

As noted earlier, most marketing of Commuter Check is done by MTC and RIDES, with some additional county-specific marketing done by organizations such as the Alliance.

None of the region's transit agencies market Commuter Check aggressively; this was attributed to a perceived lack of "ownership" of the Commuter Check program, which is promoted largely by the MTC. Transit agencies occasionally provide advertising space in vehicles and stations to MTC.

Marketing Activities

In general, there is little overlap in marketing to employers and to the general public, because responsibility is divided between MTC and RIDES. RIDES has a seven-person staff dealing with employer outreach: a director, a marketing manager, four account representatives, and a regional promotions coordinator who works transportation fairs during the summer months and provides administrative support the rest of the year.

Both MTC and the Alliance were optimistic about the prospects for continuing joint marketing activities with Commuter Check, or the possibility of Commuter Check itself assuming more of the burden of advertising to the general public. For example, the Alliance did a joint mailing with Commuter Check to registered employers, advertising the Alliance's guaranteed-ride-home program. Commuter Check is now an established presence in the Bay Area market.

Marketing to Employers

RIDES uses several means to reach employers. They maintain a database of 4,600 area employers who have been active participants in RIDES services or who have expressed an interest in such services. The database forms the basis of most marketing activity. For example, RIDES sends a mass mailing to the database employers four times per year; three of these promote special events (for example, Bike to Work Day) and the fourth is a questionnaire to keep the database updated. RIDES also organizes two types of employer meetings: network meetings, which are quarterly meetings of ETCs in the RIDES office; and workshops, which are held throughout the Bay Area to discuss particular transportation topics.

RIDES occasionally organizes marketing campaigns for particular cities or business parks, during which they will contact most of the businesses in the targeted area, working down from the largest employers to the smallest. They also, on occasion, call major employers new to the area to promote RIDES services.

The Alliance deals exclusively with employers in San Mateo County, which is home to many high-technology firms. The Alliance maintains a database of 6,000 employers, but has had contact with only a few hundred of these. The Alliance generally reaches employers through transportation fairs and direct contact (through cold calls to employers and trying to obtain personal interviews). Alliance members are also looking at ways to engage the cities more directly with the employers; for example, through a joint letter with city governments suggesting that employers contact the Alliance with transportation concerns.

The Alliance does not promote Commuter Check exclusively; their approach is to work with the employer to find the most appropriate transportation solutions to the employer's particular needs.

Both RIDES and the Alliance also receive inquiries through both word of mouth and their respective Web sites. MTC has tried to do employer outreach via conferences of human resources personnel, but have thus far been unsuccessful.

Marketing to the General Public

MTC uses various advertising media to reach the general public, including television and radio advertising, direct mail, station and vehicle advertising, newspaper inserts, and transportation fairs. They do not use outdoor advertising. They have also used some creative means of reaching the public; for example, through engaging a locally known cartoonist to illustrate their advertising and through a joint promotion with a local television station. In exchange for use of the station's logo on MTC materials, the station plugged Commuter Check during its traffic reports and gave MTC advertising time at reduced rates.

The Alliance focuses on employer outreach, but expressed an interest in branching out to working more with the general public. For example, the Alliance might eventually set up tables in residential neighborhoods to distribute information during local fairs. However, this marketing effort is still in its infancy, and the marketing materials are designed for an employer audience.

Messages

For all three agencies interviewed, the main messages used are the recruitment/retention benefits and the cost savings allowed by the tax legislation. The recruitment/retention angle has been particularly successful in a tight labor market. The benefits are popular among employees, which makes employers more likely to offer them. One person interviewed said that it is important for employers to be able to emphasize that transit benefits are something employees can use every day, as opposed to health benefits, which employees think about infrequently.

Benefits are easier to promote now that employers can realize cost savings as a result of changes in tax law. Also, compared with the expense of other benefits, transit benefits have a high value to employees while incurring a relatively low cost to the employer.

Use of Term "Commuter Choice"

There was no clear consensus on the meaning of the term "Commuter Choice." While one agency uses the term to refer specifically to the pre-tax and tax-free transit/vanpool benefits, others use it to refer more broadly to a wide range of efforts to promote non-drive alone commuting. All three persons interviewed said that neither employers nor the general public are familiar with the term. Given that the voucher itself is called Commuter Check, which is very similar to Commuter Choice, agencies may have a hard time explaining the distinction to employers for whom neither term is familiar.

Lessons Learned/Effective Messages

The Alliance has changed its strategy regarding the location of targeted employers. Previously, the Alliance targeted employers in county "hot spots" (i.e., areas with a high degree of local congestion). However, the strategy proved ineffective, and the Alliance is focusing more on employers located near Caltrain, the commuter rail line that runs the length of the county. Proximity to Caltrain not only makes it more likely that employees will ride transit, but the Alliance also has a shuttle program that promotes shuttles to Caltrain stations.

Although some employers consider themselves good corporate citizens, generally employers are not swayed by messages about corporate responsibility or environmental quality.

Attributes of Employers That Contribute to Success

Some employer attributes that affect their receptivity to transit benefits programs are as follows:

- **Small companies.** Small firms face fewer administrative difficulties than do large firms, and thus are more likely to implement transit benefits.
- **Office employers in urban areas or near transit.** Employers in dense urban areas with transit access are more likely to implement commuter benefits programs than are those in suburban locations. Employers located near rail stations (or in the Bay Area, particularly near BART, the heavy rail operator) are more likely to implement programs than those located near bus lines. In addition, employers with an office-based workforce are more likely to implement programs than those with non-office workplaces. This may be because offices are more likely to be in transit-accessible locations than other types of businesses (factories or warehouses), or because office workers are more likely to work traditional 9-to-5 work schedules, instead of long hours or shift work.
- **High-technology and legal fields.** Employers in these two areas were deemed more receptive to transit benefits. One interviewee speculated that it is largely because employers in these fields have faced severe recruitment and retention problems. Also, high-technology firms with their younger workforce are more likely to be "progressive," and transit benefits are thus more attractive than at other firms.
- **Presence of an ETC or program "champion."** The presence of an ETC or whether there is somebody within the company willing to champion a transit benefits program makes implementation more likely. The champion does not have to be the ETC; it could be somebody at a high level of decision making.

Barriers and Obstacles to Effective Programs and Potential Solutions

The persons interviewed identified potential barriers to implementation of transit benefits. The barriers are discussed below in descending order of importance (i.e., the barriers cited most often are listed first). Interviewees suggestions for overcoming these barriers are also included.

- **Administrative Burden.** All three persons interviewed mentioned administrative issues as a major problem. Administrative issues arise early on—learning how transit benefits work and devising ways to implement them at the company can be time-consuming. People who work in human resources may see implementation and on-going administration of an additional benefit as adding to their workload. Finally, it was noted that at many firms it is not clear how to incorporate benefits into the existing accounting structure.

  Several people mentioned that a firm such as WageWorks, which has made inquiries regarding the Bay Area transit voucher market, may relieve firms of the administrative burden of setting up and running a transit benefits program. Also, it may be useful to emphasize that for smaller employers, once the initial implementation has been accomplished, ongoing administration is generally fairly simple. To overcome the confusion about how to set up the programs from an accounting standpoint, agencies could give interested employers specific examples of how to set up a program.
- **Costs.** Two persons interviewed thought that costs are a major issue for employers and that the larger the employer, the greater the potential barrier. One factor working against implementation is that employers often look at the total annual cost in isolation, instead of in relation to either other benefits or the advantages received. Also, in good economic times companies are more willing to assume the additional costs, because of the recruiting and retention advantage, but in bad economic times, companies are more reluctant to incur unnecessary expenses.

  Agencies marketing transit benefits can emphasize that on a monthly basis, the costs are often not large.

TABLE D-5 Distribution of employers interviewed

Type of Interview:	Implementer	Considered	Discontinued	Total
Full Interview (Survey and Telephone Interview)	24	3	1	28
Survey or Phone Only	2	3	0	5
Focus Group Only	2	1	0	3
Total	28	7	1	36
Location:				
San Francisco (also includes one Southern CA)	4	6	0	10
Boston, MA	5	0	1	6
Minneapolis/St. Paul, MN	6	0	0	6
Miami/Fort Lauderdale, FL	6	0	0	6
Washington, DC	4	1	0	5
Other (Seattle, WA; Portland, OR; Chicago, IL)	3	0	0	3

NOTE: Of the five employers from whom the research team did not obtain a full interview, one did not respond to repeated interview requests, one went out of business after completing the survey, and three were contacted by telephone and consented to speak briefly with an interviewer, but not to go through the entire survey process.

They can also point out that transit benefits get "more bang for the buck" than other benefits, meaning that for a relatively small investment employees receive a tangible daily benefit, as opposed to benefits such as insurance (which employees use infrequently).

EMPLOYER FINDINGS

Employers Interviewed

The study originally called for interviewing 48 employers, (i.e., 12 in each major study area). However, although the research team contacted employers who had been recommended by transportation agencies as likely candidates to participate in this study, not all employers were available to participate. Of all the employers contacted for this study, 28 went through the full survey and interview process. The research team spoke to several other employers by phone, but they declined to participate in the full survey. Finally, the research team convened a focus group in the Washington, DC, area, which had four participants, bringing the total number of employers from whom information was obtained to 36.[1] Table D-5 shows the breakdown of employers interviewed.

These 36 employers include 7 who considered but did not implement commuter benefits programs. Because agencies do not track employers who have chosen not to implement commuter benefits programs, this group was harder to identify. In addition, it is in some respects misleading to divide these employers into implementers and non-implementers, because many employers who have implemented benefits programs considered various options.

Employers Who Implemented Commuter Benefits

Table D-6 summarizes the size, program type, participation, costs, and administrative time for all employers surveyed. This table clearly shows the great variation between employers for all of these categories. Not all information was available for all employers. In particular, many employers did not have figures available for their administrative costs for commuter benefits programs, because they are part of the costs to administer all benefits and not broken out separately.

Table D-6 also shows the estimated percentage of employees who participate in commuter benefits programs, as reported by the employer. Participation rates vary widely, from a high of 84 percent at Red Spark to a low of 2 percent at Network Associates. (Six employers did not provide figures on participation.)

Location in a central business district did not seem to play as big a role in determining participation as did the availability of free parking. For firms with no free parking, the average participation rate in commuter benefits programs was 23 percent. For firms with free parking (or in which most employees received free parking), the average participation was 8 percent. There may be other relevant factors that the research team did not have enough data to analyze systematically; for example, whether employees need to use their cars during the day, and the existence of coordinated marketing campaigns (rather than relying on word of mouth).

Parking Versus Transit Subsidies

Of the 26 employers interviewed who supplied information on their parking and transit subsidies, only 4 gave a transit subsidy but no parking subsidy (i.e., most of their employees paid market rates for parking). If an employer gave free parking to employees, they were considered to subsidize parking, because operating and maintaining parking is not

[1] The research team contacted employers five times by telephone or e-mail over a 2-week period. In some cases, the research team received no response; in others, the person agreed to complete the survey or needed approval from a supervisor before participating, but did not respond to further calls.

TABLE D-6 Summary of implementer employers interviewed

Location	Employer (Type of work)	# of sites	# of total employees	# of employees at site surveyed	% of eligible employee participating	Type of program	How administered?	Admin time spent	Total funds spent on transit/vanpool subsidies
San Francisco Bay Area	City/County of San Francisco	100+	30,000	2000	8% of total employees	Transit/Vanpool	Pre-tax; Use Commuter Checks	0.25 FTE (10 hrs/week)	NA
	Network Appliance (high-technology)	50+	2000	1200	2% at site surveyed	Parking/Transit	Pre-tax for parking; Cash reimbursement for transit	0.025 FTE (1 hr/week)	NA
	Red Spark (high-technology)	2	75	50	84% at site surveyed	Transit/Vanpool	Pre-tax	0.038 FTE (1.5 hrs/week)	NA
	Babey, Mouton, Jue and Booth (interior design)	1	35	35	20%	Transit/Vanpool	Pre-tax Commuter Checks	0.05 FTE (2 hrs/week)	NA
Miami/Fort Lauderdale	Shay Financial	6	60	30	20% at site surveyed	Transit	Employer provides free transit passes; MDTA Pass Program	0.006 FTE (1 hr/month)	$4,248
	Worldwide Travel	1	90	90	3% at site surveyed	Transit/Vanpool	Pre-tax	0.006-0.018 FTE (1-3 hrs/month)	NA
	Caterpillar America (heavy equipment manufacturing)	100+	64,000	160	9% at site surveyed	Transit/Vanpool	Employer subsidy up to $65	0.006 FTE (1 hr/month)	$80/month transit $780/month vanpool
	Implant Innovation (medical devices)	1+	600	400	NA	Transit/ Employer Shuttle	Tri-Rail Pass program	0.5 FTE	$27,500 spent on purchase of shuttle
	City of Bal Harbour	1	60	60	12% at site surveyed	Transit/Vanpool	50% Vanpool subsidy; pre-tax	0.09 FTE (15 hrs/month)	$1,950
	Stiles Corporation (real estate development)	10+	500	175	5% at site surveyed	Parking cash out	Cash reimbursement	Minimal	NA
Washington, DC	CNA Corporation (R&D)	14	630	550	NA	Transit/Vanpool	Employer subsidy up to $65	0.025 FTE (4 hrs/month)	NA
	CALIBRE Systems, Inc. (consulting)	1	320	320	6%	Transit/Vanpool/ Parking cash out	Employer subsidy of $65; parking cash out up to $65	.25 FTE	NA

TABLE D-6 (Continued)

Location	Employer (Type of work)	# of sites	# of total employees	# of employees at site surveyed	% of eligible employee participating	Type of program	How administered?	Admin time spent	Total funds spent on transit/vanpool subsidies
Boston	Millennium Pharmaceuticals (bio-technology)	1+	1600	225	NAsi	Parking/Transit/ Vanpool	Pre-tax; Transit/ Vanpool subsidy; parking cash out	1.5 FTE	$325,000
	MIT (university)	5	10,000	9,000	50%	Transit/Parking	Pre-tax	5 FTE	$1,000,000 (mostly reimbursed by participants)
	Abt Associates (research/consulting)	6	1100	450	24%	Transit/Vanpool/ Employer Shuttle	Subsidy	0.5 FTE	$102,000 total program ($18,000 for transit/vanpool)
	First Church of Christ (publishing)	8	910	790	30%	Transit/Vanpool/ Parking	Pre-tax	0.03 FTE (10 hrs/month)	NA
	Harvard University	4	30,000	2400	26%	Parking/Transit	Pre-tax for parking/ 40% subsidy for transit	1.0 FTE (40 hrs/week)	$900,000
Minneapolis/St. Paul	Dain Rauscher (investment banking)	100	4000	4000 (all sites)	47%	Transit/Vanpool/ Parking	Pre-tax	Minimal	$111,000/year
	Minnesota Life (financial/insurance)	1	2500	2500	56%	Transit/Vanpool/ Parking	Pre-tax and subsidies	0.3 FTE	40,000
	University of St. Thomas	2+	1500 full-time	400	NA	Parking cash out	Cash reimbursement	2 FTE	NA
	Lawson Software (e-business)	30+	1800	1800 (all sites)	NA	Parking/Transit	Pre-tax; Parking subsidy; Metropass Program	No answer	NA
	Hennepin County	45	13,200	2,800	21% of all employees	Transit/Vanpool /Parking	Pre-tax; 40% subsidy for transit	1 FTE	$200,000
	US Bank	3000+	56,000	1,100	18%	Transit/Vanpool	Pretax; 50% subsidy up to $65	3.5 FTE	NA
Portland, OR	Nike (sports and fitness)	100+	25,000	4,600	5%	Transit	Subsidized corporate pass program	1 FTE	$100,000 (subsidies); $20,000 (awards)
Seattle, WA	Zymogenetics (biotechnology)	1	300	300	NA	Transit/Vanpool (includes ferries)	$65 subsidy with bonafide cash reimbursement	0.1 FTE	$30,000
Lincoln-shire, IL	Hewitt Associates (HR consulting)	80 total (27 in US)	13,500	5,375	1%	Transit/Vanpool	Pre-tax	0.1 to 0.15 FTE	NA

TABLE D-7 Incidence of parking and transit subsidies among employers interviewed

	No Parking Subsidy	Parking Subsidy
No Transit Subsidy	3	7
Transit Subsidy	4	12

free. Pre-tax programs are considered to have no subsidy. See Table D-7 for a breakdown of parking and transit subsidies.

The research did not yield sufficient data to determine the average amounts of parking and transit subsidies for all employers, for several reasons:

- For employers providing free parking, generally the person interviewed did not know how much the employer was paying in parking costs. Market rate comparisons were not available because the employers were in areas where virtually all parking is free to the user.
- Many employers subsidize some but not all employees' parking (for examples, managers get free parking while the bulk of employees do not), making it difficult to determine the average subsidy per person based on data collected.
- Many employers paid a percentage of their employees' transit and vanpool costs, making it difficult to determine the average subsidy per person based on data collected.
- The sample size is so small that the results would not be meaningful.

Barriers Identified by Employers

Table D-8 shows the barriers identified by all employers, on a scale of 1 ("not difficult") to 5 ("very difficult"). (Barriers listed under "other" are described in Chapter 3 under Other Barriers.) Of a list of 16 potential barriers, all of them received

TABLE D-8 Employer ratings of barriers to implementing commuter benefits

Survey instructions: Please rank how difficult it was for your company to overcome each of the following potential barriers/issues to implementing the Commuter Choice Benefit. Rank on a scale from very difficult to not difficult.

N/A – Not applicable 1 – Not difficult 2 – Neutral 3 – Slightly Difficult 4 – Difficult 5 – Very Difficult	City of San Francisco	Network Appliance	Red Spark	Babey, Moulton, Jue & Booth	Shay Financial Services	Worldwide Travel Center	Caterpillar	Implant Innovation	City of Bal Harbour	Stiles Corporation	CNA Corporation	CALIBRE Systems	Millennium Pharmaceutical	MIT
Getting information about the Commuter Choice Program	1	1	1	1	1	1	5	1	1	1	1	2	1	1
Understanding how the benefit works	1	1	2	1	1	1	5	5	1	1	1	3	1	2
Convincing upper management that our company should implement the program	4	2	1	1	N/A	1	1	2	1	1	3	2	1	3
Convincing other departments that our company should implement the program	4	3	1	1	N/A	1	1	1	N/A	1	N/A	1	1	1
Equity (since not offered to carpoolers, bicyclists, etc.)	2	3	2	N/A	N/A	2	1	1	1	N/A	2	N/A	1	3
Administrative Expense	3	3	3	2	N/A	1	1	4	1	2	3	3	1	4
Payroll Systems	4	3	3	2	N/A	1	1	4	2	1	N/A	3	1	4
Developing the policies and procedures to offer the program to transit riders and/or vanpoolers	2	3	2	2	N/A	1	4	1	1	1	3	2	1	2
Developing the policies and procedures to offer the program to parkers	2	3	2	N/A	N/A	N/A	N/A	N/A	N/A	1	N/A	2	1	2
Concerns of "cheating" (e.g. that employees would pass the benefit along to their family members or friends)	2	N/A	2	2	N/A	2	N/A	N/A	N/A	1	4	3	1	2
Developing the transit/vanpool voucher and/or transit pass distribution system (e.g. how to get them in the hands of employees)	3	N/A	1	1	1	N/A	N/A	2	N/A	N/A	5	2	1	1
Determining how the benefit program applied to different sites (e.g. which voucher company to use, which transit passes to buy, which sites have employee-paid parking, which sites had existing transportation benefit programs.)	4	N/A	N/A	N/A	N/A	N/A	3	N/A	N/A	N/A	N/A	2	1	1
Merging the pre-tax set-aside option with any existing transit or vanpool subsidies	N/A	N/A	N/A	1	N/A	N/A	1	5	N/A	N/A	N/A	N/A	1	1
Merging the pre-tax set-aside option with any existing parking subsidies	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1	1
Developing enrollment or marketing materials	4	3	1	1	N/A	1	1	N/A	N/A	1	2	3	1	1
Other, please specify:	N/A	N/A	4	N/A	N/A	4	N/A	N/A	N/A	N/A			1	5
Total (sum of points; N/A excluded)	36	25	25	15	3	16	24	26	8	11	24	28	16	34

TABLE D-8 (Continued)

Survey instructions: Please rank how difficult it was for your company to overcome each of the following potential barriers/issues to implementing the Commuter Choice Benefit. Rank on a scale from very difficult to not difficult.

N/A – Not applicable 1 – Not difficult 2 – Neutral 3 – Slightly Difficult 4 – Difficult 5 – Very Difficult	Lawson Software	Hennepin County	US Bank	Nike	Zymogenetics	Hewitt Associates		Average for All Employers						
Getting information about the Commuter Choice Program	1	4	3	1	1	1		1.5						
Understanding how the benefit works	1	4	4	1	1	3		2.1						
Convincing upper management that our company should implement the program	1	2	3	1	2	3		1.8						
Convincing other departments that our company should implement the program	1	1	3	1	2	4		1.7						
Equity (since not offered to carpoolers, bicyclists, etc.)	1	2	5	1	3	N/A		2.4						
Administrative Expense	1	2	4	1	3	1		2.4						
Payroll Systems	1	4	2	1	2	3		2.4						
Developing the policies and procedures to offer the program to transit riders and/or vanpoolers	1	4	3	1	2	3		2.2						
Developing the policies and procedures to offer the program to parkers	1	5	N/A	1	1	N/A		2.4						
Concerns of "cheating" (e.g. that employees would pass the benefit along to their family members or friends)	1	4	2	1	1	2		2.2						
Developing the transit/vanpool voucher and/or transit pass distribution system (e.g. how to get them in the hands of employees)	1	2	N/A	1	1	3		2.0						
Determining how the benefit program applied to different sites (e.g. which voucher company to use, which transit passes to buy, which sites have employee-paid parking, which sites had existing transportation benefit programs.)	1	1	4	1	N/A	3		2.5						
Merging the pre-tax set-aside option with any existing transit or vanpool subsidies	1	1	3	1	N/A	4		2.1						
Merging the pre-tax set-aside option with any existing parking subsidies	1	4	N/A	1	N/A	N/A		1.9						
Developing enrollment or marketing materials	1	4	3	1	1	1		1.8						
Other, please specify:	1	N/A	N/A	1	N/A	4		3.0						
Total (sum of points; N/A excluded)	16	45	39	16	20	35								

responses ranging from "not difficult" to "difficult" or "very difficult," indicating that the severity of barriers varies widely from employer to employer. Even the most commonly cited barrier, administrative expense, was called "not difficult" or "neutral" by one-half of employers. This demonstrates that agencies should be familiar with all potential barriers, because it is difficult to predict which employers will experience which barriers.

It is also true, however, that even the most commonly cited barriers received scores on the 1-to-5 scale between 2 and 3. This would seem to indicate that none of the barriers are consistently difficult. Rather, it seems that different employers encounter different barriers.

Employers Who Considered Commuter Benefits

The research team also attempted to contact employers who had considered but not implemented commuter benefits to determine whether these employers faced more significant barriers. However, it was far more difficult to locate these employers, for two main reasons:

- Transportation agencies seldom had records of employers who had contacted them but chosen not to implement a program.
- Employers who did not have a program were less inclined to participate in the research.

In total, the research team contacted 25 employers who the team members were told had considered but not implemented commuter benefits programs (4 in Minneapolis/St. Paul, 10 in the San Francisco Bay Area, 6 in Boston, and 5 in Miami/Fort Lauderdale). Of these, most did not return repeated phone calls and e-mails; in addition, several had implemented programs already. Table D-9 shows the eight employers the research team successfully contacted in this category and their main reason(s) for not implementing a commuter benefits program.

TABLE D-9 Summary of employers interviewed who considered commuter benefits

Location	Employer Name	Main Reason(s) for not Implementing
San Francisco Bay Area	San Lorenzo School District	Administrative office has higher priorities
	LEM Construction	Had considered it in conjunction with a downtown move; too few people in suburban location to make program worthwhile.
	United States Postal Service	Could not make decision locally; at the time of the interview, the local managers were deciding how to approach their headquarters office.
	United Airlines	Could not make decision locally, and central payroll system was cumbersome to change. At the time of the interview, the idea had not been dropped, but it had been put on the "back burner" because the headquarters was not particularly interested.
	WalMart	Sites were considered too suburban; program would not garner enough participation to make it worthwhile.
	Clorox	Financial issues (administrative time to develop and manage a program). At the time of the interview, the program was still "on the table," but it was not under active consideration, because the company was cutting costs.
Washington, DC	Freddie Mac	Suburban location with free parking; participation would probably not be high enough to justify developing a program, and other benefits were deemed more important.
Boston, MA	Doubletree Hotel	Financial issues. Hotel had program from summer 2000 to September 2001, when is was discontinued because of cost containment mandated by headquarters.

APPENDIX E

INTERVIEW GUIDE FOR AGENCIES

Transportation Agency Interview Guide

Date ____________________

Agency Name ____

Contact Name ____

Title ____

Agency Address:

____
Street

____
City State Zip code

Telephone (____) _____________________ Fax (___) _____________________

Pre-Call Information
(This section should be filled in prior to calling the agency based on a review of the agency's web pages or from previous contacts in the region.)

Agency web site: ____

Type of agency:

- ❑ MPO
- ❑ TMA / TMO
- ❑ Transit agency
- ❑ Rideshare Agency
- ❑ Other: ____

Geographic area served: ____

Type of area served (check all that apply):

- ❑ Urban
- ❑ Suburban
- ❑ Rural

Commuter Choice-related services offered by agency:

List of members or participating companies on web page?

- ❑ Yes (please attach list)
- ❑ No

Do any of the following programs exist in the region/area for pre-tax/tax-free transportation benefits?
Regional voucher or pass program (i.e., Metrochek, Transitchek, etc.)? Include name:

Special or reduced rate for companies who purchase vouchers or passes in bulk?
Other pass or voucher-type programs (please specify) ______________________________

If there is a regional voucher or pass, who does it come from?

- ❑ Transit agency: ______________________________
- ❑ Other organization: ______________________________

Introduction

(Interviewer should use the following paragraphs to start off the interview. A conversational tone should be used, rather than directly reading the text.)

My name is ______________________________ and I'm calling about a study we are conducting to identify opportunities to improve the effectiveness of pre-tax/tax-free transportation benefits programs. The goal is to make it easier for organizations like yours to market these benefits to employers by better understanding the factors that affect employer decisions, the real and perceived obstacles faced by employers, and strategies that work. This is a national study funded by the Transportation Research Board, Transit Cooperative Research Program. The product will be a guidebook that can be used by transit agencies, MPOs, and TMAs to more effectively market pre-tax/tax-free transportation benefits to employers.

For the purposes of this project, the term "pre-tax/tax-free transportation benefits" means the commute benefits defined as transportation fringe benefits under the federal tax code. This includes pre-tax transit, vanpool, and parking benefits, which may be provided directly by the employer or taken as a pre-tax salary deduction. It also includes cash in lieu of parking (parking cash-out) programs. These programs are sometimes collectively referred to as "Commuter Choice" programs.

The ______________________________ metropolitan area has been selected as one of only four metro areas in the U.S. selected to be the focus of this project. We will be undertaking a series of interviews in your region with transportation agencies and employers to understand what has worked and what have been some of the barriers to implementing pre-tax/tax-free transportation benefits. The lessons learned in this region will be used as a basis for the recommendations in our report, which will be distributed nationally. We hope that you will be willing to participate in this important study.

We would like to take some time to interview you about your programs as they relate to pre-tax/tax-free transportation benefits and any lessons you have learned from working with employers in your area. We also would like your assistance in identifying employers to interview in the next phase of this study so that we can collect more in-depth information on their experience with these commute benefits.

Would you be willing to spend some time on the phone with me for this interview?

- ❑ Yes—(Continue)
- ❑ Yes, but not at this time
  (Time to call back: ______________)
- ❑ No (Terminate interview).

Is there someone else in your organization or a related agency that you think would be willing to participate?

Part 1: Program Information

Why did your agency start a pre-tax/tax-free transportation benefits program? How did your agency become involved with pre-tax/tax-free transportation benefits?

What is the relationship of your agency with other area transportation agencies?

Section 1: Employer Services

Does your organization promote pre-tax/tax-free transportation benefits to employers? *(Remind respondent that this includes tax-free transit, vanpool, or parking benefits.)*

- ❑ Yes
- ❑ No—**Why not?** Then skip to next section.

Are benefits promoted for vanpooling, parking, *and* transit, just one of these programs, or a combination of them? *(Check those that apply.)*

- ❑ Vanpooling
- ❑ Parking
- ❑ Transit

Would you say that your agency has a "formal" program with employers to promote pre-tax/tax-free transportation benefits? If so, what are the elements of the program? For example, do you have a pre-tax/tax-free transportation benefits program with a dedicated budget, specific marketing materials, dedicated staff, etc.?
How does your organization interact with employers? (Ask person to explain. If no reaction, prompt them with this list. Check all that apply.)

- ❑ Workshops
- ❑ Web site
- ❑ Direct one-on-one contacts
- ❑ Cold calls
- ❑ Direct mail
- ❑ Other: ____

What kind of pre-tax/tax-free transportation benefits services do you provide for employers? (*Check all that apply.)*

- ❑ Sell pre-tax/tax-free transportation vouchers
- ❑ Advertise pre-tax/tax-free transportation benefits through the mass media
- ❑ Conduct surveys of employee commuting
- ❑ Provide Employee Transportation Coordinator training
- ❑ Provide information at transportation fairs
- ❑ Offer one-on-one consultations with employers about pre-tax/tax-free transportation benefits
- ❑ Assistance interpreting pre-tax/tax-free transportation benefits legislation/IRS regulations
- ❑ Implementation assistance
- ❑ Referrals to consultants
- ❑ Other: ____
- ❑ Other: ____

Are there certain services or information that you DO NOT purposefully offer to employers? If so, why not? For example, legal interpretation of pre-tax/tax-free transportation benefits or implementation assistance?

What kinds of questions has your organization received from employers or "potential" pre-tax/tax-free transportation benefits implementers that you have not been able to answer?

Do you seek out individual employers or wait for them to contact you?

If they seek out employers, ask the following questions:

Do you specifically seek out companies of a certain size or type (e.g., large employers, members of business leadership groups, multi-site or single-site)?

Do you target employers in certain locations (e.g., heavily congested corridors or sites)?

How do you deal with multi-site employers that have some sites outside your jurisdiction?

How do other employers hear about your agency and services?

- ❑ Television advertisements
- ❑ Radio ads
- ❑ Yellow pages
- ❑ Web site
- ❑ Newspaper
- ❑ My organization's newsletter
- ❑ Another organization's newsletter
- ❑ Highway signs
- ❑ Word of mouth
- ❑ Other (please specify):

Are there any fees or costs to use your agency's services? For example, are there any fees for attending workshops, receiving brochures, etc.?

- ❑ Yes. Explain:
- ❑ No

Can employers become members/ partners with your agency?

- ❑ Yes
- ❑ No (Skip to the next section.)

Are there any membership fees or costs? What are they?

- ❑ Yes
- ❑ No

Section 2: General Public and Other Transportation Services

Do you work with the general public to raise their awareness of pre-tax/tax-free transportation benefits?

- ❑ Yes
- ❑ No

Following is a list of transportation-related services. As I read the list, please indicate whether or not your agency provides, or is involved with the provision of, each service.

Direct Provision	Indirect Involvement	
☐	☐	Guaranteed Ride Home services
☐	☐	Guaranteed Ride Home program planning
☐	☐	Transit services (i.e., is the local public transit system operated by your agency?)
☐	☐	Ridematching services
☐	☐	Vanpool services
☐	☐	Transportation coordinator training
☐	☐	Alternative work schedule development for employers
☐	☐	Telework program development
☐	☐	Parking evaluations and strategies
☐	☐	New employee commute options information
☐	☐	Pass distribution program
☐	☐	Shuttle services
☐	☐	Transit route-map and schedule distribution

Of the services that you just listed, do you promote any of them in connection with pre-tax/tax-free transportation benefits? If so, which?

Are there any other transportation-related services that your agency provides?

Section 3: Marketing

How do you market pre-tax/tax-free transportation benefits and related services to commuters and/or employers? Please specify what is done directly with employers and what is done for the general public.

(The interviewer should first ask the interviewee to explain the outreach program and check off all applicable options. Afterward, the interviewer should prompt the user with the remaining choices.)

General Public	Employers	
☐	☐	Workshops
☐	☐	Brochures
☐	☐	Direct mail
☐	☐	Web page
☐	☐	Radio advertisements
☐	☐	Television advertisements
☐	☐	Outdoor advertisements on billboards
☐	☐	Advertisements on buses, inside subway cars, etc.
☐	☐	Other outdoor advertisements (please specify):
☐	☐	Networking with other agencies
☐	☐	Newsletters
☐	☐	Advertisements in magazines, newspapers, or other print
☐	☐	Attending conferences
☐	☐	Other (please specify):

Have you developed marketing materials focused specifically on tax benefits?

❑ Yes
❑ No

If yes, are these materials distributed differently or separately from information on other commute options (such as carpooling)?

❑ Yes. Explain:
❑ No

Do you use the term "Commuter Choice" in your promotional activities?

❑ Yes. Please explain how the term is used:
❑ No. Why not? What terminology is used? If another terminology is used, how was this selected?

If yes, do your marketing materials carry the Commuter Choice logo?

❑ Yes
❑ No

Could you describe your marketing messages and efforts for pre-tax/tax-free transportation benefits programs? How do you convince employers to participate in your pre-tax/tax-free transportation benefits programs? What messages do you try to convey to them through your outreach efforts or when you are talking to them?

Section 4: Participation

How many or what percentage of employers in your area offer pre-tax/tax-free transportation benefits? (Ask to follow up at another time if the respondent does not know but may have access to some information).

(If needed) Do all area employers offer pre-tax/tax-free transportation benefits through your agency, or are there other providers?

How many or what percentage of employees in your area take advantage of pre-tax/tax-free transportation benefits?

(If needed) Do all area employees offer pre-tax/tax-free transportation benefits through your agency, or are there other providers?

Are these answers based on previously performed surveys and research or is it anecdotal and based your own general estimate? If this is an estimate, how certain are you of its accuracy?

Do you track employer or employee participation in the pre-tax/tax-free transportation benefits services your agency provides?

❑ Yes
❑ No (skip to next section)

How do you track participation in your services or the effectiveness of your outreach activities? For example, do you track the number of brochures that have been distributed and to whom, the number of inquiries on specific topics, etc.?

Part 2: Lessons Learned

Based on your experience, what do you think convinces employers to implement pre-tax/tax-free transportation benefits programs?

What specific messages work best (e.g., business cost savings, good for employees, environmental benefits)?

Of the different marketing strategies you have used, what do you think has worked the best and been the most effective?

What has been the least effective?

What do you think is the major barrier or reason that companies do not offer pre-tax/tax-free transportation benefits?

Following is a list of potential challenges faced by employers in implementing pre-tax/tax-free transportation benefits programs. Please indicate whether you think each is a major barrier, a moderate barrier, a minor barrier, or not really a problem. *(Check those that apply.)*

Major	Moderate	Minor	Not a Problem	**Potential Barrier**
				Finding information about pre-tax/tax-free transportation benefits programs
				Understanding how the benefits work
				Understanding how the pre-tax/tax-free transportation vouchers work
				The cost of the pre-tax/tax-free transportation voucher
				Administrative time and expense to manage benefit
				Determining how the program applies to different office sites
				Managing benefit distribution among multiple sites
				Obtaining vouchers from the voucher provider
				Distributing vouchers to employees
				Integrating pre-tax/tax-free transportation benefits into the employee benefits structure
				Integrating pre-tax/tax-free transportation benefits into the employee payroll system
				Safe-keeping of vouchers prior to distribution
				Cash-flow needed to buy large quantities of vouchers
				Developing policies on how the benefits program would work at the company
				Developing eligibility requirements
				Developing enrollment or marketing materials
				Convincing upper management to implement it
				Convincing other departments to implement it
				Determining how to implement the program
				Lack of interest by employees
				Equity concerns
				Concerns about cheating, such as having employees pass vouchers along to their family members or friends
				Other (please specify)

Do employers seem to understand the terminology that you use to promote pre-tax/tax-free transportation benefits? Do they know what “Commuter Choice” means?

What characteristics of an employer do you feel contribute to the success of pre-tax/tax-free transportation benefits programs? *(Check all that apply. If no response, prompt respondent with choices.)*

- ❑ Size
- ❑ Location
- ❑ Type and amount of public transit
- ❑ Corporate culture
- ❑ Environmental consciousness
- ❑ Type of work environment (i.e., office vs. non-office)

- ❑ Existence of other employer-provided, commuter support programs (i.e., telecommute options, flexible scheduling, etc.)
- ❑ Multi-site locations
- ❑ On-site transportation coordinator
- ❑ Other (please specify.)

Are there any pre-tax/tax-free transportation benefits services or other transportation services that employers or commuters frequently inquire about that you wish you provided but do not? If so, please explain.

What marketing tools or training products would make promoting pre-tax/tax-free transportation benefits easier? CD-ROMs? Calculator tools? Greater Internet presence and abilities? Children's games? Outdoor billboards?

Has your agency conducted any focus groups or other market research to try to determine the best way to reach employers and promote pre-tax/tax-free transportation benefits?

- ❑ Yes
- ❑ No

If yes, would you be willing to send us copies of those reports/data or is there a way for me to find out more about them? *(If an outside firm or agency conducted the study, ask for the name of that firm.)*

Part 3: Employer Contacts

Read the following paragraph:

As part of our study, we are planning to undertake interviews with employers to learn about the issues they have faced in either implementing pre-tax/tax-free transportation benefits or considering them. We need assistance in identifying employers in your region that would be willing to participate in this study.

Could you provide us with a list of employers that have implemented pre-tax/tax-free transportation benefits programs, with contact information for the employers?

- ❑ Yes (Inquire about when they could provide list. Preferably get by e-mail).
- ❑ No (If they do not have a list, ask if it would be possible for the agency to compile a list of employers they have worked with.)

Do you have a list of employers that your agency has tried to work with to help implement pre-tax/tax-free transportation benefits programs but have ultimately chosen not to implement them? Or other employers that you are aware of that currently do not offer pre-tax/tax-free transportation benefits?

- ❑ Yes
- ❑ No

Could I receive a copy of that list as well?

- ❑ Yes
- ❑ No

This is the end of the survey. Thank you for participating.

APPENDIX F

SURVEY FOR EMPLOYERS WITH COMMUTER BENEFITS PROGRAMS

Employer Interview Guide
Phase 1—Initial Phone Call

Date ____________________

Company Name ____

Contact Name ____

Title ____

Address:

____
Street

____
City State Zip code

Telephone (____) ____________________ Fax (____) ____________________

Part 1: Introduction, Study Explanation, and Informed Consent

Use conversational tone to explain the following:

Hello, this is ______________________________ with ______________________________.
We are conducting a study on employer Commuter Choice programs for the Transit Cooperative Research Program, which is part of the National Academy of Sciences. The goal of the study is to develop a guidance document to help companies like yours to improve the effectiveness of your commuter benefits programs. It will also provide recommendations to transit agencies and transportation officials for what they should be doing to help companies in implementing employee commuter benefits programs.

We were referred to you by ______________________________ of ______________________________ as a good company to speak to about your experience with Commuter Choice programs. I would like to speak to the person at your company who is the most familiar with your company's commuter benefits programs. We were referred to you.

First of all, let me ask: Are you the most appropriate person to speak with about your company's commuter benefits program?

❑ Yes
❑ No

If no, please identify whom I should speak to:

Name of Person ____

Job Title ____

Phone Number ____

If this is the person the surveyor is already talking to, continue.

If this is not the person the surveyor is talking to, ask to be transferred to that person. Begin script from beginning when reaching that person.

As an introduction, I want to explain a little bit about this research project and ask you a few questions about your company.

Can I have a few minutes of your time to do this?

- ❑ Yes—Continue
- ❑ Not at this time
  When to call back ________________________________
- ❑ No—Terminate

Our project is focused on what we call “Commuter Choice” benefits. These benefits include employer-provided transit and vanpool benefits, pre-tax deduction programs for parking, transit, or vanpooling; and parking cash out programs (programs in which employers provide employees with the choice between free parking at work or extra cash income, like a commute allowance). Together these new commuter benefits, defined in federal tax law as qualified transportation fringe benefits, are called “Commuter Choice” benefits.

The purpose of our study is to understand the issues faced by employers in implementing Commuter Choice benefit programs—the obstacles and barriers, as well as what works well. The end goal is to develop a better understanding of how companies like yours can implement effective commuter benefits programs, and what transit and other transportation agencies should be doing to assist you in setting up these employee benefits programs.

For this national study, we are interviewing a small sample of employers in four major metro areas in the U.S.—Boston, Miami, Minneapolis, and San Francisco. You have been selected as one of the employers to participate in this national study.

To improve the experience of firms with Commuter Choice programs, we’d like to learn about your organization’s experience with it. If you agree to participate, our research will occur in two phases: first we’ll ask some preliminary questions to better understand your company and the commuter benefits you offer. Second, we will ask you a more in-depth set of questions about the issues, problems, and solutions you encountered in implementing your Commuter Choice program, or in deciding not to implement a Commuter Choice program. We want to make this step as simple as possible, but we expect that answering these written questions should take about 1 to 2 hours of your time. It may require that you consult with others in your company to gather some of the information.

This study is funded by the federal government through the National Academy of Sciences, and your participation is completely voluntary. If you agree to participate, the information you provide will be used to develop a report for the Transit Cooperative Research Program, on “Strategies for Increasing the Effectiveness of Commuter Choice.” The report will be a public document. Your employment title, department name and company name may be used in the report, but your individual name will not be used.

Given what I’ve explained about how the information you provide will be used, would you be willing to participate in this research process?

- ❑ Yes—Thank you
- ❑ No—Terminate
- ❑ Need time to think about it or confirm with a supervisor

Would you like us to fax or e-mail a written request outlining what I’ve just explained?

- ❑ Yes—get address or e-mail
- ❑ No
  When to call back ____

If willing to participate, but unwilling to have company name used in the report, please note this. Mention that we may get back to the respondent about participating at a later date.

Part 2: Commuter Benefits Screen

Does your company provide free or subsidized parking for employees?

❑ Yes
❑ No

Ask to explain, if necessary (for example, some employees get free parking, others do not):

Has your organization implemented any of the following Commuter Choice programs?

❑ Allow employees to set aside income on a pre-tax basis for parking costs
❑ Transit or vanpool benefit
❑ If so, how does the program work:
❑ Employer pays for transit/vanpool benefit
❑ Allow employees to set aside income on a pre-tax basis
❑ Both
❑ Parking cash-out program
❑ None of the above

If none, did your organization consider implementing a Commuter Choice benefits program, such as a pre-tax parking, transit, or vanpool benefit, or parking cash out?

Yes—**Continue to Part 2** (After gathering basic employer information, send them non-implementer version of the survey)
No—Terminate

Part 3: Next Steps

Next, we would like to gather some additional information on some of the issues that have been important to your company in selecting what commuter benefits to offer, and on the travel patterns of your employees. This information will require some additional thought and may require you to check with someone else within your company. As a result, we would like to provide you with questions so that you can look through them first before going through them with me on the phone.

Also, we'd like to make this process as easy as possible for you, and take up the least amount of time. We can do the next phase of our interview in two different ways:

I could send you the questionnaire to look over, and we can arrange to have a call again in about a week to go through the questions together on the phone.

OR

Upon receiving the questionnaire, you can simply fill it out and send it back to us. We should still arrange for a call in about a week, so that we can clarify any answers and ask any follow up questions that might arise as a result of your responses.

Which do you prefer? Check appropriate box above.
How would it be most convenient for us to send you the questions?

❑ By e-mail
❑ By regular mail

Thank you for agreeing to participate in this research project.

What is your work address? (i.e., the work address of the person surveyor is speaking to)

Address 1 ____

Address 2 ____

City ____

State ___________________ Zip Code __________________

What is your e-mail address? ____

Date

Name

Address

Dear Name,

Thank you for participating in this research project. The purpose of this study is to identify strategies for increasing the effectiveness of Commuter Choice Programs, in part by surveying and interviewing employees of companies that have implemented such a program. This study is funded by the Federal Government. The information you provide will be used by the consultant team to develop a report for the Transit Cooperative Research Program. The final report, “Strategies for Increasing the Effectiveness of Commuter Choice”, will be a public document.

To improve the Commuter Choice program for all employers, we have designed the following questionnaire to learn about your organization’s experience with the program. While the length of the questionnaire may appear imposing, many of the questions are multiple-choice which will simplify completion. We anticipate that completing this questionnaire will take one to two hours of your time. You may need to consult with other people within your company to be able to answer all the questions.

For each question, circle the letter(s) of your response(s). Select one letter choice for each question, unless otherwise indicated. Please return your completed survey form via e-mail to ____________________________or in the attached postage-paid envelope by ________________________________ .

You have indicated that you are responding to this survey for <u>name of company</u> located at <u>location of site.</u> If you are a multi-site employer please answer all questions at they pertain to this location only.

If you have questions about completing this survey, please call _____________________________________ at ______________________________ or send an e-mail to ___________________________________.

Sincerely,

TCRP Representative

Employer Interview Guide

Phase 2 Questionnaire, Commuter Choice Implementer

Please answer all questions as they pertain to *(insert address of company site).*

Company and Site Description

1) What is the nature of your company's business? (For example, banking, insurance, groceries).
____
____

2) How many people does your company employ? ______________________

3) Does your company have more than one employment site? For the purposes of this survey, the definition of a multi-site employer is one that has different employment sites located more than five miles apart OR has different locations that act as independent entities. For example, the locations have different administrative structures or different decision-making authorities.
   - ❑ Yes
   - ❑ No (Skip to question 9)

4) How many sites does your company have? __________________________

5) If your company has multiple sites, at how many sites does your company offer a Commuter Choice benefit?
   - ❑ All sites
   - ❑ Some of the sites

6) Why do you offer the program at these sites and not at others?

7) Was the decision to implement or not implement Commuter Choice done at the site level? In other words, was it a site-by-site decision-making process? Or, did the company make a central decision about implementing Commuter Choice at the different sites?
   a) Central decision
   b) Site level decision
   c) Don't know
   d) Other __________________________

8) Is the Commuter Choice program centrally managed or does each site manage the program itself?
   a) Centrally managed
   b) Managed on a site-by-site basis

9) Where are your company's sites located?

   For the purposes of this research study, we want you to focus the answers to your questions on <u>one</u> particular work site where the Commuter Choice program is offered. Thus, if your company offers the Commuter Choice program at more than one location, please select <u>one</u> location to talk about when answering all future questions in this study. What is the address of this site?

   Address 1 ____

   Address 2 ____

   City ____

   State ____

   Zip ____________________

10) How many employees work at this site?

11) What best characterizes the location of this company site?
   a) Downtown central business district
   b) Shopping center or mixed-use retail/office park
   c) Office park
   d) Other ____

12) Please describe the company's workforce in terms of the type of job classifications employed. For example, it is a highly unionized workforce? Is it a highly paid workforce? Is it a highly skilled workforce? Do you have a large population of part-time employees? Do you have a wide range of job classifications?

Nature of Commuter Choice and Other Benefits Programs

13) Do you provide free or subsidized parking for your employees?
   a) Yes, free parking
   b) What percentage of your workforce receives free parking? ___________ %
   c) Yes, subsidized parking
   d) How much do you charge for parking? $ _________________
   e) What is the level of the subsidy? $ _________________
   f) No. Employees pay for parking at market rates.

14) Which of the following benefits does your company's Commuter Choice program offer? *(Please circle all that apply.)*
   a) Allows employees to set aside pre-tax salary to pay for vanpool or transit costs
   b) Allows employees to set aside pre-tax salary to pay parking costs
   c) Provides a transit or vanpool subsidy to employees
   d) What is the monthly subsidy amount: $ _________________
   e) Offers parking cash-out for employees
   What is the monthly cash-out value: $ _________________

15) How does your company provide the transit/vanpool benefit?
   a) By providing vouchers that are good on multiple transit services, (e.g., TransitChecks or Commuter Checks, etc.). Please name: ____
   b) By providing transit passes. Please name the types of passes that are provided: ____
   c) Through bona-fide cash reimbursement *SKIP TO QUESTION 18*
   d) N/A: Our Commuter Choice program does not provide a transit/vanpool subsidy or allow pre-tax set-aside for transit or vanpool costs. *SKIP TO QUESTION 19*
   e) Other SKIP TO QUESTION 19

16) How does your company distribute vouchers or transit passes?
   - ❑ Employees pick up from a centralized location at the work site
   - ❑ An employee distributes the vouchers/passes to employees
   - ❑ Distributed with paychecks
   - ❑ Vouchers/passes are mailed to a person's home
   - ❑ Vouchers/passes are sent through inter-office mail
   - ❑ Other

17) How does your company provide Commuter Choice benefits related to parking? *(Please circle all that apply.)*
   a) Employees pay for their parking through payroll deduction using pre-tax salary.
   b) Employees submit documentation of parking expenses to receive pre-tax salary that can be used for parking expenses (bona-fide cash reimbursement)
   c) Employees can receive taxable cash, or a transit/vanpool subsidy in-lieu of a parking space (i.e., parking cash-out)
   d) Not applicable. Our company does not offer Commuter Choice parking benefits.

Please answer this question if your company provides any Commuter Choice through bona-fide cash reimbursement *(i.e., If you answered c in question 15 and/or b in question 17.)*

18) What documentation are employees required to submit?
    - ❑ How often are employees required to submit documentation?
    - ❑ Please describe the process by which employees submit documentation.
    - ❑ Has your company's documentation method been approved by anyone? For example, the IRS or your company's Internal Audit department.

19) What other commuter-related benefits does your company offer? *Please circle all that apply.*
    a) Financial incentives for bicycling or walking
    b) Financial incentives for carpooling
    c) Financial incentives for telecommuting
    d) Other incentives to encourage people not to drive alone (e.g., prize drawings)
    e) Guaranteed ride home program
    f) Preferential parking for carpoolers or vanpoolers
    g) Ridematching to facilitate carpools and vanpools
    h) Information about commuter options (e.g., provision of bus schedules, etc.)
    i) Events to promote use of alternatives to driving alone (e.g., transportation fairs, bike to work day, contests, etc.)
    j) A commuter information office or staff
    k) Newsletter (or newsletter articles in company newsletter) about commute alternatives, web site, or features on internal company media outlets, etc.
    l) Other: ____
    m) None

20) Which of the following other benefits programs does your company offer to its employees? *Please circle all that apply.*
    a) 401 K
    b) Medical Savings Accounts
    c) Pre-tax set-aside to pay for child care
    d) Tuition reimbursement
    e) None of the above

Developing the Commuter Choice Program

21) When did your company begin offering Commuter Choice benefits to your employees?
    Date: ____

22) Before the implementation of your Commuter Choice benefits program, which of the following commuter benefits did your company offer? *Please circle all that apply.*
    a) Financial incentives for bicycling or walking
    b) Financial incentives for carpooling
    c) Financial incentives for telecommuting
    d) Other incentives to encourage people not to drive alone (e.g., prize drawings)
    e) Guaranteed ride home program
    f) Preferential parking for carpoolers or vanpoolers
    g) Ridematching to facilitate carpools and vanpools
    h) Information about commuter options (e.g., provision of bus schedules, etc.)
    i) Events to promote use of alternatives to driving alone (e.g., transportation fairs, bike to work day, contests, etc.)
    j) A commuter information office or staff
    k) Newsletter (or newsletter articles in company newsletter) about commute alternatives, web site, or features on internal company media outlets, etc.
    l) Other:
    m) None

23) Before the implementation of the Commuter Choice program, did your company have a Transportation Demand Management Coordinator or Manager? This position is sometimes called an Employee Transportation Coordinator/Manager or a Transportation Programs Coordinator.

❑ Yes
❑ No SKIP TO QUESTION 25

24) Was this position staffed by
a) More than one full-time employee
b) One full-time employee
c) One half-time employee
d) Less than one half-time employee

25) How did you or your company learn about Commuter Choice benefits? *(Circle all that apply.)*
a) Through a Human Resources or Payroll/Benefits professional association
b) Through a Transportation professional association (e.g., Association for Commuter Transportation)
c) From the Regional Council of Governments
d) From the local or regional ridesharing agency
e) From the local transit agency
f) From the local city
g) From other employers
h) Other ______________________________
i) Don't know

26) Did you or someone from your company attend any workshops or consult with any external sources to gain additional information about the Commuter Choice program?

❑ Yes
❑ No

27) From which of the following external sources did you obtain information? (*Circle all that apply.)*
a) Federal or state government organization (e.g., FTA, DOT)
b) Local or regional government
c) Local or regional ridesharing agency
d) Transportation professional organization (e.g., ACT)
e) HR, Payroll, Benefits professional organization
f) Employer Business Group (e.g., Chamber)
g) Other employers
h) Legal Counsel
i) Consultants
j) Other ______________________________

28) Within your company, where did the idea to implement the Commuter Choice program originate? *(Circle all that apply.)*
a) Upper management
b) Employees
c) Human Resources or Benefits
d) Payroll
e) Transportation or Environmental department
f) Other ______________________________
g) Don't know

29) Which departments/persons within your company were involved with the implementation of Commuter Choice? (Circle all that apply.)
a) Upper management
b) Employee interest committee

c) Human Resources or Benefits
d) Payroll
e) Transportation or Environmental department
f) Legal
g) Other

Reasons for Implementation

30) Why did your company decide to implement the Commuter Choice program? *(Please circle all that apply.)*
a) Employees requested it
b) To improve employee morale
c) To enhance recruitment and retention
d) It's a good benefit that involves minimal employer expense
e) To reduce the company's payroll taxes
f) To reduce the demand for parking
g) To reduce employees' parking costs
h) To reduce employees' transit and/or vanpooling costs
i) Because we have many employees riding public transit or vanpooling who could use the benefit
j) To encourage people to use transit or vanpool
k) Other

31) Of the reasons you listed in question 30, what was the *most* important reason why your company implemented Commuter Choice?

Difficulties and Barriers Associated with Commuter Choice Program

32) Please rank how difficult it was for your company to overcome each of following potential barriers/issues to implementing the Commuter Choice benefit. Rank on a scale from very difficult to not difficult by placing a "check mark" or an "X" in the appropriate box for each line item.

Issue	Very Difficult	Difficult	Slightly Difficult	Neutral	Not Difficult	N/A
Getting information about the Commuter Choice program						
Understanding how the benefit works						
Convincing upper management that our company should implement the program						
Convincing other departments that our company should implement the program						
Equity (since not offered to carpoolers, bicyclists, etc.)						
Administrative Expense						
Payroll Systems						
Developing the policies and procedures to offer the program to transit riders and/or vanpoolers						
Developing the policies and procedures to offer the program to parkers						
Concerns of "cheating" (e.g., that employees would pass the benefit along to their family members or friends)						

Issue	Very Difficult	Difficult	Slightly Difficult	Neutral	Not Difficult	N/A
Developing the transit/vanpool voucher and/or transit pass distribution system (e.g., how to get them in the hands of employees)						
Determining how the benefits program applied to different sites (e.g., which voucher company to use, which transit passes to buy, which sites have employee-paid parking, which sites had existing transportation benefits programs.)						
Merging the pre-tax set-aside option with any existing transit or vanpool subsidies						
Merging the pre-tax set-aside option with any existing parking subsidies						
Developing enrollment or marketing materials						
Other, please specify:						

33) How difficult was it to get each of the following departments (groups) within your company on board in the development of this program? Please indicate by placing a “check mark” or an “X” in the appropriate column.

Issue	Very Difficult	Difficult	Slightly Difficult	Neutral	Not Difficult	N/A
a) Human Resources						
b) Payroll						
c) Benefits						
d) Transportation						
e) Parking						
f) Unions						
g) Upper Management						
h) Other (please specify)						

Briefly describe any other aspects of the Commuter Choice program that posed barriers or difficulties to program implementation at your company.

Program Results

34) Before the implementation of the Commuter Choice program, what was the estimated % of site employees who . . .

- ❑ Drove alone to work ? ____%
- ❑ Carpooled to work? ____%
- ❑ Took transit to work? ____%
- ❑ Used a vanpool (7 or more employees sharing a ride in one vehicle) to get to work? ____%
- ❑ Were dropped off at work? ____ %
- ❑ Bicycled or walked to work? ____ %

35) How many employees have enrolled in: (Please provide a # for each applicable aspect of your Commuter Choice program. Please write N/A if not applicable. Please write “unknown” if the program is applicable, but you don’t know the number. It is okay to provide estimates if the exact # is not available.)
   a) the pre-tax set-aside for parking (if applicable):_______
   b) the pre-tax set-aside for transit (if applicable): _______
   c) the pre-tax set-aside for vanpooling (if applicable): _______
   d) the transit subsidy program (if applicable): _______
   e) the vanpool subsidy program (if applicable): _______
   f) the parking cash-out program (if applicable): _______

36) Since implementation of the program, please circle which, if any, of the following have occurred . . .
   The percent of employees who ride transit to work has:
   a) Increased
   b) Decreased
   c) Stayed about the same
   d) Don’t know

   The percent of employees who use vanpools to get to work has:
   a) Increased
   b) Decreased
   c) Stayed about the same
   d) Don’t know

   The percent of employees who drive alone to work has:
   a) Increased
   b) Decreased
   c) Stayed about the same
   d) Don’t know

37) How would you describe the success of the program?
   a) Very successful
   b) Successful
   c) Neither a success nor a failure
   d) Unsuccessful
   e) Very unsuccessful

Please explain the reason for your response in question 37 (i.e., why do you describe it as successful or unsuccessful?)

Nuts and Bolts of your Company’s Program

38) How much internal staff time (Full-Time Equivalent) is needed to run the program?

39) Does your company use a Third Party Benefits administrator for any of the following aspects of your program? *(Please circle all that apply.)*
   a) Development of enrollment and other program forms
   b) Printing and providing enrollment and other program forms/information
   c) Data entry of employee enrollment and other information
   d) Maintaining employee enrollment database
   e) Changing employee deductions or other employee information
   f) Program Marketing
   g) Collection of receipts for bona-fide cash reimbursement of parking or transit/vanpool
   h) Distribution of bona-fide cash reimbursement
   i) Purchase of vouchers
   j) Bundling of vouchers for distribution

k) Distribution of transit/vanpool vouchers
l) Other
m) None of the above

40) What are your company's annual administrative costs of offering this program?
  a) Do not know
  b) Amount: $ ______________ (can be estimate)

41) What specific costs are included in this estimate? *(Please circle all that are included.)*
  Internal staff time to administer the program (i.e., payroll costs)
  a) Third party benefits administration fee
  b) Program marketing costs and enrollment forms
  c) Postage, if applicable
  d) Voucher mark-up fee, if applicable
  e) Other

42) What is the total annual cost to your company to provide transit and/or vanpool subsidies?
  a) Transit $______________
  b) Vanpool $______________
  c) Total $______________
  d) N/A, We don't provide a transit or vanpool subsidy to employees.

43) How do you market the program internally? *(Please circle all that apply.)*
  a) Flyers, posters
  b) Word-of-mouth
  c) Annual benefits enrollment process
  d) Employee presentations
  e) Newsletters
  f) Web site
  g) Other

Thank you for completing this survey. Please return it to ______________________________ in the postage-paid envelope by ___________________________________.

APPENDIX G

SURVEY FOR EMPLOYERS WHO HAVE CONSIDERED BUT NOT IMPLEMENTED COMMUTER BENEFITS PROGRAMS

Date

Name

Address

Dear Name,

Thank you for participating in this research project. The purpose of this study is to identify strategies for increasing the effectiveness of Commuter Choice Programs, in part by surveying and interviewing employees of companies that have know about Commuter Choice, but have not implemented such a program. This study is funded by the Federal Government. The information you provide will be used by the consultant team to develop a report for the Transit Cooperative Research Program. The final report, "Strategies for Increasing the Effectiveness of Commuter Choice", will be a public document.

To improve the Commuter Choice program for all employers, we have designed the following questionnaire to learn about your organization's experience with the program. While the length of the questionnaire may appear imposing, many of the questions are multiple-choice which will simplify completion. We anticipate that completing this questionnaire will take one hour of your time. You may need to consult with other people within your company to be able to answer all the questions.

For each question, circle the letter(s) of your response(s). Select one letter choice for each question, unless otherwise indicated. Please return your completed survey form in the attached postage-paid envelope by __________________________.

Please respond to this survey for name of company located at location of site. If you are a multi-site employer please answer all questions at they pertain to this location only.

If you have questions about completing this survey, please call __________________________________ at __________________________ or send an e-mail to __________________________________ .

Sincerely,

TCRP Representative

Employer Interview Guide

Phase 2 Questionnaire, Considered Commuter Choice

Please answer all questions as they pertain to *(insert address of company site).*

Site Description

1) What is the nature of your company's business? (For example, banking, insurance, groceries).

2) How many people does your company employ? ________________________________

   Does your company have more than one employment site? For the purposes of this survey, the definition of a multi-site employer is one that has different employment sites located more than five miles apart or has different locations that act as independent entities. For example, the locations have different administrative structures or different decision-making authorities.

   ❑ Yes
   ❑ No (Skip to question 8)

3) How many sites does your company have? ________________________________

4) Where are your company's sites located?

5) If your company has multiple sites, at how many sites does your company offer a commuter choice benefit?

   ❑ All sites
   ❑ Some of the sites
   ❑ None of the sites

6) If offered at some sites, why do you offer the program at these sites and not at others?

7) Was the decision to implement or not implement Commuter Choice done at the site level? In other words, was it a site-by-site decision-making process? Or, did the company make a central decision about implementing Commuter Choice at the different sites?

   ❑ Central decision
   ❑ Site level decision
   ❑ Don't know
   ❑ Other

8) What best characterizes the location of your company site?

   ❑ Downtown central business district
   ❑ Shopping center or mixed-use retail/office park
   ❑ Office park
   ❑ Other ____

9) Please describe the company's workforce in terms of the type of job classifications employed. For example, is it a highly unionized workforce? Is it a highly paid workforce? Is it a highly skilled workforce? Do you have a large population of part-time employees? Do you have a wide range of job classifications?

Nature of Benefit Programs

10) Do you provide free or subsidized parking for your employees?
   a) Yes, free parking
   b) What percentage of your workforce receives free parking? ________ %
   c) Yes, subsidized parking
   d) How much do you charge for parking? $ ________________

e) What is the level of the subsidy? $ ________________
f) No. Employees pay for parking at market rates.

11) Which of the following commuter-related benefits does your company offer? *Please circle all that apply.*
   a) Financial incentives for bicycling or walking
   b) Financial incentives for carpooling
   c) Financial incentives for telecommuting
   d) Other incentives to encourage people not to drive alone (e.g., prize drawings)
   e) Guaranteed ride home program
   f) Preferential parking for carpoolers or vanpoolers
   g) Ridematching to facilitate carpools and vanpools
   h) Information about commuter options (e.g., provision of bus schedules, etc.)
   i) Events to promote use of alternatives to driving alone (e.g., transportation fairs, bike to work day, contests, etc.)
   j) A commuter information office or staff
   k) Newsletter (or newsletter articles in company newsletter) about commute alternatives, web site, or features on internal company media outlets, etc.
   l) Other: ____
   m) None

12) Which of the following other benefits programs does your company offer to its employees? *Please circle all that apply.*
   a) 401 K
   b) Medical Savings Accounts
   c) Pre-tax set-aside to pay for child care
   d) Tuition reimbursement
   e) None of the above

13) What is the estimated percent of site employees that . . .
   a) Drive alone to work ? _______%
   b) Carpool to work? _______%
   c) Take transit to work? _______%
   d) Use a vanpool (7 or more employees sharing a ride in one vehicle) to get to work? _______%
   e) Are dropped off at work? _______%
   f) Bicycle or walk to work? _______%

14) Does your company have a transportation demand management coordinator or manager? This position is sometimes called an employee transportation coordinator/manager or a transportation programs coordinator.
   ❑ Yes
   ❑ No SKIP TO QUESTION 16

15) Is this position staffed by
   a) More than one full-time employee
   b) One full-time employee
   c) One half-time employee
   d) Less than one half-time employee

Reasons for Considering Commuter Choice Benefits

16) In an earlier telephone phase of this study, you (or a member of your company) indicated that your company had considered, or knew about, Commuter Choice benefits but had not implemented one of these benefits programs. Please circle the *one* response that best describes your company's experience with Commuter Choice programs. *Note that choices d and e pertain to multi-site companies only.*

a) Our company knows about the Commuter Choice program, but we haven't yet fully considered implementing it.
b) Our company considered implementing the Commuter Choice program, but decided not to implement the program *at this time*.
c) Our company considered implementing the Commuter Choice program and has decided not to offer the program.
d) Our company considered implementing the Commuter Choice program, but chose not to implement it *at any of our sites.*
e) Our company considered implementing the Commuter Choice program, but chose not to implement it *at this site.*

17) How did you or your company learn about Commuter Choice Benefits programs? *(Please circle all that apply.)*
a) Through a Human Resources or Payroll/Benefits professional association
b) Through a Transportation professional association (e.g., Association for Commuter Transportation)
c) From the Regional Council of Governments
d) From the local or regional ridesharing agency
e) From the local transit agency
f) From your local city
g) Other ______________________________
h) Don't know

18) Within your company, who (or which departments) considered whether or not to implement the Commuter Choice program? *(Please circle all that apply.)*
a) Upper management
b) Employees
c) Human Resources or Benefits
d) Payroll
e) Transportation or Environmental department
f) Other ______________________________
g) Don't know

19) Did you or someone from your company attend any workshops or consult with any external sources to gain additional information about the Commuter Choice program?

❑ Yes
❑ No

20) From which of the following external sources did you obtain information? *(Select all that apply.)*
a) Federal or state government organization (e.g., FTA, DOT)
b) Local or regional government
c) Local or regional ridesharing agency
d) Transportation professional organization (e.g., ACT)
e) HR, Payroll, Benefits professional organization
f) Employer Business Group (e.g., Chamber of Commerce)
g) Other employers
h) Legal Counsel
i) Consultants
j) Other ______________________________

21) Why did your company consider implementing the Commuter Choice program? *(Please circle all that apply.)*
a) Employees requested it
b) To improve employee morale
c) To enhance recruitment and retention
d) It's a good benefit that involves minimal employer expense
e) To reduce the company's payroll taxes

f) To reduce the demand for parking
g) To reduce employees' parking costs
h) To reduce employees' transit and/or vanpooling costs
i) Because we have many employees riding public transit or vanpooling who could use the benefit
j) To encourage people to use transit or vanpool
k) Other

22) Of the reasons you listed in question 21, what was the *most* important reason why your company considered implementing Commuter Choice?
____

Difficulties and Barriers to Implementing Commuter Choice Program

23) Why did your company decide not to implement the Commuter Choice program? *(Circle all that apply.)*
a) It was too difficult to get information about the Commuter Choice program
b) It was too difficult to understand how the benefit works
c) We could not convince upper management to implement the program
d) We could not convince other departments that our company should implement the program
e) Equity issues (since not offered to carpoolers, bicyclists, etc.)
f) Administrative expense
g) Payroll Systems
h) It was too difficult to develop the policies and procedures to implement the program
i) Concerns of "cheating" (e.g., that employees would pass the benefit along to their family members or friends)
j) It would have too difficult or costly to distribute transit/vanpool vouchers and/or transit passes (e.g., getting them in the hands of employees)
k) It was too difficult to determine or manage how the benefits program applied to different sites (e.g., which voucher company to use, which transit passes to buy, which sites have employee-paid parking, which sites had existing transportation benefits programs.)
l) We already had an existing transit or vanpool subsidy program
m) Not enough people ride transit or vanpool
n) It would have been too difficult or costly to develop enrollment or marketing materials
o) Other, please specify: ____

Thank you for completing this survey. Please return it to _________________________ in the postage-paid envelope by __________________________ .

Phone Follow Up

Thank you for participating in this research project. We've received your answers to the written survey. Now we'd like to ask you some questions to gather more information about any difficulties you may have had with the program and potential program barriers. This is the third and final phase of your participation in this study. This phone call will take up to one hour.

For the purposes of answering the questions I will ask, please talk about the Commuter Choice program as it applies to your company at the following location *(insert name of location).*

Difficulties and Barriers of Commuter Choice

The research team will customize the phone surveys based on responses to the written survey. The surveyor will have a customized script so he/she knows which difficulties to ask about.

I'd like to start by asking you some additional questions about the aspects of Commuter Choice that you said were difficult or presented barriers to your company.

On your written survey, you said ____________(customize)__________ prevented your company from implementing the Commuter Choice program.

1) How did *(#1 customize)* prevent your company from implementing Commuter Choice?

2) How did *(#2 customize)* prevent your company from implementing Commuter Choice?
   Etc. (up to 5 reasons)

3) Of these barriers which is (are) the main reason(s) why your company chose not to implement Commuter Choice?

4) What, if anything, would make it easier or more economical for your company to provide Commuter Choice benefits?

(Customize based on responses to written questions in Phase 2)

You indicated that your company learned about the Commuter Choice program through ____________________.
How knowledgeable did you feel this group was about Commuter Choice?

   a) Very knowledgeable
   b) Somewhat knowledgeable
   c) Not knowledgeable

Ask them to elaborate on the reason for their response.

What was the most difficult aspect of the program to understand and why? ________________________________
Did employees ask your company to implement the program?

- ❑ Yes
- ❑ No

Additional questions needed to clarify any information on the written survey will be added.

APPENDIX H

CONTACT INFORMATION FOR HUMAN RESOURCES ORGANIZATIONS

American Payroll Association
660 North Main Avenue
Suite 100
San Antonio, TX 78205-1217
Tel: 210-226-4600
Fax: 210-226-4027
www.americanpayroll.org

Employee Benefits Research Institute
2121 K Street, NW
Suite 600
Washington, DC 20037-1896
Tel: 202-659-0670
Fax: 202-775-6312
www.ebri.org

International Foundation of Employee Benefits Plans
18700 W. Bluemound Road
P.O. Box 69
Brookfield, WI 53008
Tel: 262-786-6700
Fax: 262-786-8670
www.ifebp.org/default.asp

Society for Human Resource Management
1800 Duke Street
Alexandria, VA 22314
Tel: 703-548-3440
Fax: 703-535-6490
www.shrm.org

World at Work
14040 N. Northsight Blvd.
Scottsdale, AZ 85260
Tel: 877-951-9191
Fax: 480-483-8352
www.worldatwork.org

Worldwide Employee Benefits Network (WEB)
P.O. Box 128
Brookfield, WI 53008-0128
Tel: 262-821-9080
Fax: 262-821-1275
www.webnetwork.org

APPENDIX I

REGIONAL PASS AND VOUCHER PROGRAMS

Table I-1 lists regional transit benefits programs (either pass or voucher programs). Employers located in areas not listed below should contact the metropolitan planning organization for their region to determine if others exist.

TABLE I-1 Regional pass and voucher programs

Location	Program Name	Type of Program	Telephone	Web Site
Albuquerque, NM	Sun Tran Reduction Incentive Program	Discount pass	505-764-6100	www.cabq.gov/transit
Atlanta, GA	TransCard	Discount pass	404-848-5057	www.itsmarta.com
Austin, TX	Cap Metro Discount Pass	Discount pass	512-389-7572	www.capmetro.austin.tx.us
Baltimore, MD	Transit Plus 2000 Voucher	Pass	410-767-8750	www.mtamaryland.com
Boston, MA	Commuter Check	Voucher	617-973-7189	www.commutercheck.com
	MBTA Corporate Pass Program	Pass	617-222-5218	www.mbta.com
Boulder, CO	ECO Pass	Discount Pass	303-413-7300	www.rtd-denver.com
Buffalo, NY	Commuter Check	Voucher	716-855-7218	www.commutercheck.com
Chicago, IL	RTA Transit Check	Voucher	312-917-0798	www.rta.chicago.com/tranchk
Cleveland, OH	Employer Pass Subsidy Program	Discount pass	216-566-5147	www.gcrta.org
Columbus, OH	Commuter Check	Voucher	614-275-5823	www.cota.com/work/work.htm
Connecticut (statewide)	CTTRANSIT Passes	Pass	860-522-8181 x260	www.state.ct.us/dot
Dallas, TX	E-Pass Programs	Pass	214-747-RIDE	www.dart.org/home.htm
Denver, CO	Commuter Check	Voucher	201-822-9700	www.commutercheck.com
	ECO Pass	Pass	303-299-2122	www.rtd-denver.com
Des Moines, IA	Employer Support Program	Discount pass	515-283-8113	www.ctre.iastate.edu
Detroit, MI	TransitCheck	Voucher	313-223-2192	www.transitcenter.com
Fort Worth, TX	TransitCheck	Voucher	817-215-8660	www.the-t.com/ Subpages/check.html
Harrisburg, PA	Commuter Benefit Program	Voucher	215-592-1800	
Honolulu, HI	Employee Subsidized Monthly Bus Pass	Discount pass	808-848-4444	www.thebus.org
Houston, TX	Corporate Ride Sponsor Plan	Discount pass	713-739-4965	www.hou-metro.harris.tx.us
Kansas City, MO	Transit Riders Incentive Plan	Discount pass	816-346-0274	www.kcata.org
Los Angeles/Southern CA	TransitChek®	Voucher	800-531-2828	www.accorcs-us.net/ transitchek/index.html
Louisville, KY	Commuter Check	Voucher	502-561-5118	www.commutercheck.com
Madison, WI	Commuter Benefit Program	Pass	608-266-5921	www.ci.madison.wi.us/metro
Miami, FL	MDTA Metro Passes	Discount pass	305-375-3249	www.metro-dade.com/mdta
Milwaukee, WI	Commuter Value Plan	Pass	414-343-1777	www.ridemcts.org
Minneapolis/St. Paul, MN	Commuter Check	Voucher	651-602-1614	www.commutercheck.com
	Metropass	Pass	651-602-1545	www.metrocouncil.org
	TransitWorks	Pass	612-349-7509	www.metrocouncil.org
New Jersey (statewide)	Business Pass	Pass	973-491-7600	www.njtransit.state.nj.us/btaprog.htm
New Orleans, LA	Employer Subsidized Pass Program	Pass	504-248-3682	www.regionaltransit.org/mainpage.html
New York, NY	TransitChek®	Voucher	800-329-2000	www.transitcenter.com
	In Long Island		516-766-1254	
	In northern NJ		201-216-6245	
	In Connecticut		203-406-0835	
Norfolk, VA	Commuter Check	Voucher	757-640-6216	www.commutercheck.com
Oakland, CA	Commuter Check	Voucher	510-893-7665	www.commutercheck.com
Omaha, NE	Bus Plus	Pass	402-341-7560 x2340	
Philadelphia, PA	TransitChek®	Voucher	215-592-1800 or 800-355-5000	www.dvrpc.org
Phoenix, AZ	Bus Card Plus	Pass	602-261-8505	www.ci.phoenix.az.us
Pittsburgh, PA	EZ Gold	Pass	412-237-7309	trfn.clpgh.org
Portland, OR	e-Pass Program	Pass	503-962-7670	www.tri-met.org
Rhode Island	Commuter Check	Voucher	888-88-RIPTA	www.commutercheck.com
Sacramento, CA	TransitChek®	Voucher	800-531-2828	www.sacrt.com

TABLE I-1 (Continued)

Location	Program Name	Type of Program	Telephone	Web Site
St. Louis, MO	Employer Pass Subsidy Program	Pass	314-982-1499	www.bi-state.org
Salt Lake City, UT	ECO Pass	Pass	801-262-5626 x2146	www.utabus.com
San Antonio, TX	Employer Big Pass Program	Pass	210-362-2377	www.vtainfo.net
San Diego, CA	RideLink Subsidy Program		800-COMMUTE	www.ridelink.org/employer_services.html
San Francisco Bay Area, CA	Commuter Check	Voucher	510-893-7665	www.commutercheck.com
San Jose/Santa Clara, CA	ECO Pass	Pass	408-321-7544	www.vta.org
Seattle, WA	Commuter Bonus Program	Voucher	206-263-4551	transit.metrokc.gov
	Flex Pass Program	Discount pass	206-263-3452	
	Employer Pass Subsidy Program	Discount pass	206-263-3443	
Trenton, NJ	TransitChek	Voucher	215-592-1800	www.dvrpc.org
Tulsa, OK	Bonus Bucks	Voucher	918-699-0223	www.tulsatransit.org
Washington, DC	Metrochek	Voucher	202-962-1326	www.wmata.com
Wilmington, DE	TransitChek	Voucher	800-355-5000	www.dvrpc.org

APPENDIX J

NATIONAL THIRD-PARTY ADMINISTRATORS

Table J-1 shows some third-party benefits administrators who deal with commuter benefits programs. This list includes only third-party administrators that operate nationwide; regional or local firms are not listed. Inclusion on this list does not constitute a recommendation; the list is provided for information only.

TABLE J-1 National third-party administrators

Company	Phone Number	Web Site
Employee Benefit Specialists (EBS)	925-460-3910	www.ebsbenefits.com/mtransit.htm
Flexible Benefit Service Corporation	800-577-3322	www.flexben.com/html/company.htm
Sodexho Pass	866-SDH-PASS	www.sodexhopassusa.com/transportation_benefits.htm
Tailored Benefits	408-918-0890	www.cacreativebenefits.com/partners/tailored.html
Wage Works	877-924-3967	www.wageworks.com
Work Life Benefits	800-446-1054	www.wlb.com

APPENDIX K

USEFUL WEB SITES

The following web sites contain more information on commuter benefits, broadly defined to include more aspects of transportation demand management such as telecommuting, bicycling and walking, and other employer-provided incentives such as shuttles.

COMMUTER BENEFITS PROGRAMS

www.fta.dot.gov/library/policy/cc/cctoc1.htm The Federal Transit Administration has a Commuter Choice toolkit with information for employers, employees, and agencies. The toolkit contains a national directory of pass and voucher programs.

www.commuterchoice.com The Association for Commuter Transportation, a membership organization for people working in employee transportation, has a useful web site with information on various types of transportation demand management measures, including a commuter choice toolkit**.**

www.commuterchoice.gov The Environmental Protection Agency launched in 2000 their Commuter Choice Leadership Initiative, which encourages employers to meet a national standard of excellence in commuter benefits programs. This site includes an online calculator for employers to estimate their potential costs and savings in implementing a commuter benefits program.

www.nctr.usf.edu/clearinghouse The Center for Urban Transportation Research at the University of South Florida hosts a clearinghouse for information on transportation demand management, including commuter benefits.

www.publictransportation.org The American Public Transportation Association (APTA), an association of transit providers, has launched a public education campaign through a program called Public Transportation Partnership for Tomorrow (PT)2. APTA's regular web page is available at www.apta.com.

TAX LAW ONLINE

Section 132 (f). The law authorizing employer-provided Qualified Transportation Fringe Benefits is found at Title 26 of the United States Code (USC) Section 132(f). The statutory language can be accessed online at: **http://uscode.house.gov/usc.htm** (search Title 26 for "qualified transportation fringe").

Implementing regulations. The final regulation on qualified transportation fringe benefits was published in the Federal Register on January 11, 2001 (Federal Register / Volume 66, No. 8). The federal register publication can be accessed online at **www.access.gpo.gov**. Under Access to Government Information Products, select Federal Register, then Volume 66, on January 11, 2001, and search term "qualified transportation fringe."

Abbreviations used without definitions in TRB publications:

AASHO	American Association of State Highway Officials
AASHTO	American Association of State Highway and Transportation Officials
ASCE	American Society of Civil Engineers
ASME	American Society of Mechanical Engineers
ASTM	American Society for Testing and Materials
FAA	Federal Aviation Administration
FHWA	Federal Highway Administration
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
IEEE	Institute of Electrical and Electronics Engineers
ITE	Institute of Transportation Engineers
NCHRP	National Cooperative Highway Research Program
NCTRP	National Cooperative Transit Research and Development Program
NHTSA	National Highway Traffic Safety Administration
SAE	Society of Automotive Engineers
TCRP	Transit Cooperative Research Program
TRB	Transportation Research Board
U.S.DOT	United States Department of Transportation