



What is Smart Commuter?

Smart Commuter is a program provided by Metro and Transit Authority of Northern Kentucky (TANK) that offers a unique opportunity for employees and employers to benefit from public transportation. It takes advantage of Section 132(f) of the Internal Revenue Code that allows qualified employers to offer up to \$270 per employee per month in tax-free compensation when spent on commuting costs using public transportation. It can reduce the employers' payroll taxes and the employees' taxable income.

Through **Smart Commuter**, Greater Cincinnati employers help give their employees a stress-free commute to and from work by providing them with Metro and/or TANK passes. This could be an employee's most valuable and least expensive non-taxable fringe benefit.

Smart Commuter can lead to more dependable, productive employees. It can serve as a recruiting and retention tool and make area companies more competitive in today's ultra-tight labor market. It will also provide welcome tax benefits to companies and employees.

There are several other benefits to using **Smart Commuter**. Employees will save money on car maintenance, insurance and parking, reduce commute-related stress and even be more productive thanks to free Wi-Fi service on the bus. Employers can fix the cost so it's easy to fit into annual benefits budgets. In addition, **Smart Commuter** shows the community that your company is progressive and is doing something to improve the air quality and the rising congestion on our region's roadways, two factors that are very important to today's generation of employees.

Flexible Funding

The beauty of **Smart Commuter** is the employer controls the cost of the program by setting the standards for eligibility and funding through four options:

1. Pre-tax compensation

- Employee sets aside pre-tax income to pay for commuting
- Employer does not pay for the transit passes and still saves money because payroll taxes do not apply to the benefit amount
- Employee saves payroll and income taxes on the cost of the transit pass

2. As a benefit in addition to compensation

- Employer gives employee up to \$270 per month for Metro or TANK monthly transit pass (Metro's most expensive pass is \$150 for unlimited rides on any route for a rolling 30-day period.)
- Employer receives an equivalent deduction from business income taxes
- Employee receives the benefit free of all payroll and income taxes in addition to their current compensation

3. Combination

- Employee and employer share the cost of the transit pass
- Employer determines the amount they will contribute and receives an equivalent deduction from business income taxes
- Employee saves payroll and income taxes for the amount set aside to pay the balance of the transit pass cost

4. Third-party administrator (TPA)

- Employee pays for transit pass through payroll deduction
- Employee orders transit pass from TPA
- TPA mails transit pass to employee's home
- TPA handles all administrative details for a fixed, monthly, employer-paid fee per each participating employee (often less than internal administrative costs)
- TPA is not affiliated with Metro or TANK in any way

Who Participates In Smart Commuter?

Smart Commuter can be an effective program for large and small employers alike. Currently, many local companies take part in some form of the **Smart Commuter** program, including such well-known organizations as Duke Energy, American Financial, Scripps-Howard and Cincinnati Children's Hospital and Medical Center.

Some Frequently Asked Questions

Q. Why can an employer subsidize employee's public transit costs?

A. The Federal tax code allows pre-tax dollars to be set aside for transportation to and from work, including transit. This is spelled out in Section 132(f) of the Internal Revenue Code (IRC).

Q. Who can take advantage of this benefit?

A. Most employers can. The IRS Code does not apply to self-employed individuals, partners, two-percent shareholders of S corporations, sole proprietors and other independent contractors, all of whom are not

considered by the code to be employees. Non-profit employers should consult with a tax expert regarding benefits.

Q. How do employees get the transit passes?

A. Employees can buy the passes and submit the cost to the company for reimbursement. The employer can also sell passes onsite through an agreement with Metro. The employer could also buy the passes and give them to employees. In any case, the employer should consult a tax expert to ensure a bona fide reimbursement arrangement under the tax code.

Q. Who is responsible for maintaining records?

A. The employer, not the transit authority, must maintain all pertinent records for tax code compliance. Or if the employer chooses to use a TPA, the TPA will handle all the record keeping.

Q. Does Metro/TANK offer the passes at a discount if the employer buys a certain number of passes?

A. No. The cost of the passes to employers/employees is the same as if they purchased them outside of the **Smart Commuter** program, regardless of the number purchased.

Q. My company doesn't want to participate in Smart Commuter but we still want to promote transit to our employees. What can we do?

A. Even if you don't participate in any type of funding arrangement, Metro can still promote riding the bus to your employees through surveys, lunch and learn sessions, information tables and just about any other way that works with your individual company's needs.

Q. How do I get more information?

A. Contact Dave Etienne at 513-632-7520 or detienne@go-metro.com to learn more about how to add **Smart Commuter** to your benefits offerings.

