

Commuter Tax Benefits

Commuters, Abandon Your Cars!

THE FEDERAL GOVERNMENT wants companies to help curb commuter traffic, and they are dangling a financial carrot to spark interest. In a move billed as an effort to reduce traffic congestion, air pollution, and employee stress, the feds are trying to lure commuters out of their cars via tax cuts.

Dubbed Commuter Choice, the awareness campaign is backed by the Environmental Protection Agency and the Department of Transportation, and aims to convince corporations to offer commuters tax breaks as part of standard employee benefits packages. Seven commuter-friendly companies have already signed on to set an example: Pitney-Bowes, The Calvert Group, Nike, Intel, Walt Disney, Kaiser Permanente, and Geico Direct.

In 1998, the Internal Revenue Service gave companies the green light to let employees pay for transit passes out of pretax income, and has since broadened the law to allow employees to bank pretax cash with employers for commuting expenses. This is much like the flexible-spending accounts that companies provide for pretax health-care expenses.

The idea is that employers save on payroll taxes, while employees save on income taxes. The government does not track how many employees participate in commuter programs, but Commuter Check Services Corp., which sells tax-deductible vouchers for mass-transit fares in 10 major cities, claims that its

customer base doubled to 4,000 since the legislation was passed.

Reducing commuter traffic bodes well for the environment, but even proponents of the measure say the annual cap on pretax deductions—currently \$780 per employee—



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means federal payroll tax savings are too low to be the main selling point to employers. “We

don’t sell this as a huge savings for employers,” says Marsha Gordon, president of Stamford, Conn.-based commuter services organization Metropool Inc. “It’s really more of a recruiting and retention tool.”

Ed Houghton, director of employee relations at Stamford-based Pitney-Bowes Inc., agrees. Train ridership among employees increased 30 percent when the company began offering the option two years ago. Yet Houghton says the goal is not to save on payroll taxes. “If we can reduce traffic enough to reduce commute times, we can widen our recruiting circles,” he says.

While little comprehensive data exists on how commuting options affect recruiting and retention, companies report some improvement. At Bethesda, Md.-based The Calvert Group, for example, employee turnover dropped from 25 percent to 12 percent after the company offered to pay transportation costs in full. However, experts on commuting expect diminished results when employers aren’t as generous.

The Association for Commuter Transportation (ACT), in Washington, D.C., is campaigning to increase the monthly deductible cap for mass-transit and vanpool fares to \$175. Absent further legislation, the cap will increase to \$100 per month in 2002. ACT is also looking to add federal tax incentives for commuters who carpool or ride bicycles to work. * A.N.

WHO'S DOING IT *A sample of state commuter programs now in full swing.*

STATE	PROGRAM	TAX-CREDIT RULES	RESTRICTIONS
Maryland	Commuter Tax Credit (www.mtmaryland.com)	50% of employers' costs for transit passes and vanpool subsidies, up to \$30 per employee per month	None
Connecticut	Traffic Reduction Programs Credit (www.drts.state.ct.us)	50% of employers' costs for traffic-reduction programs and services, up to \$250 per employee per year	Must have at least 100 employees; reimbursement fund capped at \$1.5 million
Oregon	Business Energy Tax Credit (www.energy.state.or.us)	35% of employers' costs for transit passes, carpooling, shuttles, and teleworking arrangements	Must apply for credit before starting project
Minnesota	Transit Pass Credit (www.taxes.state.mn.us)	30% of employers' costs for transit passes and vanpool subsidies	None

SOURCES: ENVIRONMENTAL DEFENSE FUND, STATE AGENCIES; ASSOCIATION FOR COMMUTER TRANSPORTATION

▶▶ **DOWNGRADES RISING:** Moody's Investors Service downgraded a record 470 U.S. companies in 2000, far exceeding its 217 upgrades.