

2011

COMMUTER BENEFITS WORK
FOR US



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For most working families, transportation is the second largest household expense. Whether it is a 10 block subway ride, 30 mile commuter rail trip or 60 mile van ride, commuting is a matter of choices and options. Commuter Benefits are a way employers are able to provide relief to their employees by offering a subsidized or pre-tax benefit to utilize public transportation or vanpool. This benefit helps millions of workers to substantially reduce their cost of commuting. This report demonstrates how the Commuter Benefit for transit and vanpooling directly helps millions of working American families, as well as how it has made a real difference in saving employers money, reducing our need for foreign oil, easing congestion, and improving air quality.

What is the Commuter Benefit?

Section 132(f) of the United States tax code allows employers to offer their employees up to a maximum allowed dollar amount per month in benefits for their commute to work by transit or by eligible vanpool (transit benefits) and for parking costs (parking benefits). Transit benefits can be combined with parking benefits for commuters who park at commuter lots and take transit to work.

The Commuter Benefit can be offered as either a subsidy or a pre-tax benefit. As a subsidy, the employer pays for the benefit and receives an equivalent deduction from payroll taxes. Employees may receive the benefit as a subsidy completely free of all payroll and income taxes, *in addition to* their current compensation. Employers may also permit their employees to set aside a portion of their pre-tax income to pay for transit costs. Employees save on payroll and income taxes on the amount of the benefit they purchase, since that deduction is no longer treated as taxable compensation. In this scenario, employers also save by not paying the payroll tax on the benefit amount employees set aside.

Prior to 2009, the monthly cap for parking was \$230/month while the monthly cap for transit was \$120/month. In 2009, Congress increased the transit benefit to the same level as parking. This prompted hundreds of thousands of Americans to try transit. However, that parity will expire at the end of 2011 if Congress does not take further action.

THE COMMUTER BENEFITS PROGRAM HAS HELPED OUR EMPLOYEES SINCE WE IMPLEMENTED IT 12 YEARS AGO. IT IS VERY CONVENIENT FOR THEM TO USE. IT WAS INSTRUMENTAL IN HELPING US WITH A THE RELOCATION OF ONE OF OUR FACILITIES. WITHOUT THE TRANSIT BENEFIT, WE WOULD HAVE BEEN AT RISK OF LOSING VALUABLE EMPLOYEES IN THE MOVE. I HAVE NOT HEARD ANY COMPLAINTS FROM THOSE WHO ARE ENROLLED AND I'M SURE IF SUCH A PROGRAM WERE UNAVAILABLE, THE IMPACT WOULD BE FELT BY THOSE WHO UTILIZE THIS SERVICE."

MARK COLLINS, COMMUTE PROGRAMS COORDINATOR--BAYER HEALTHCARE

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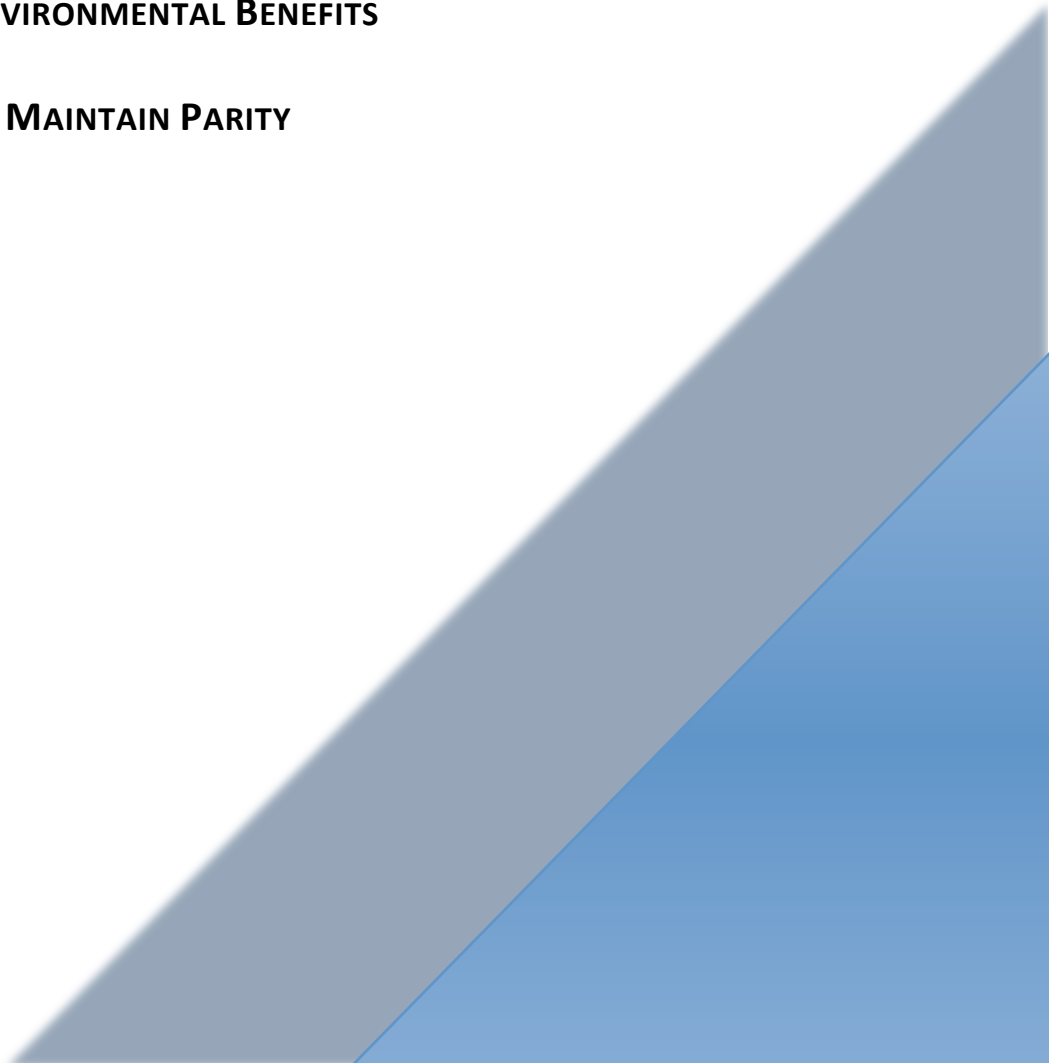
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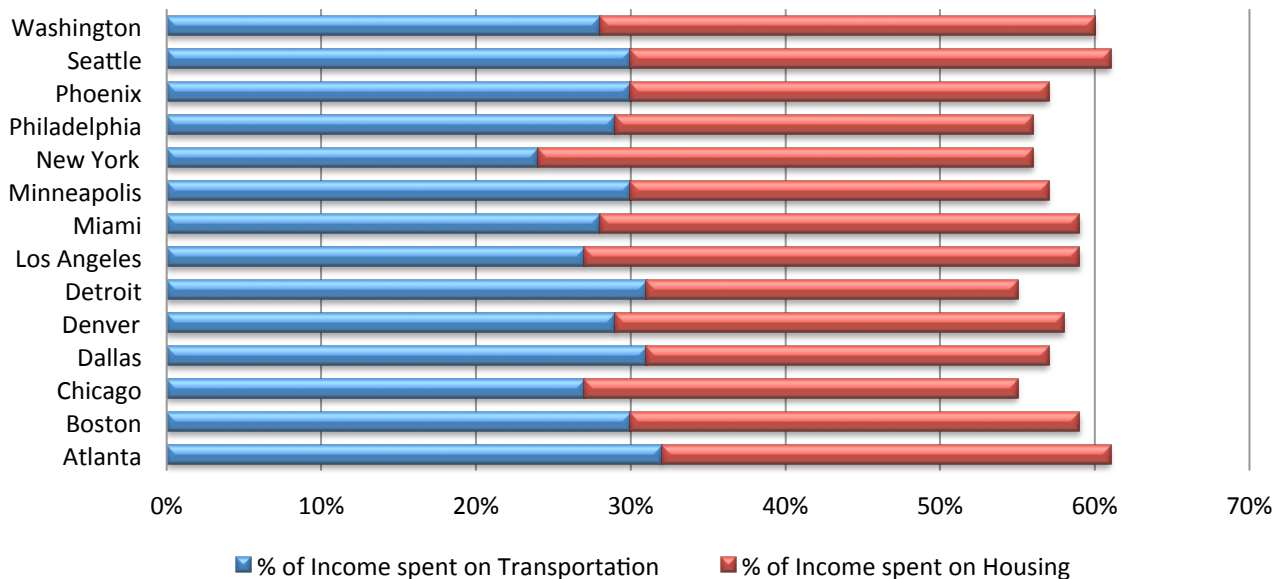


STATE OF OUR COMMUTE

Crumbling infrastructure, busier roads, rising gas prices, and longer commutes have made the trip to and from work change from being a minor annoyance to a major factor of life that has a variety of implications. The cost of our commute can be calculated in many ways: time, money, lost productivity, and a decrease in standard of living, to name just a few. The factors aren't just individualized; rather, they have broad national implications.

In 2009, congestion cost Americans about 3.9 billion gallons of fuel, 4.8 billion hours stuck in traffic, and \$115 billion in lost income. On average, every American sat in traffic for 34 hours a year, a full day and a half. This delay led to commuters wasting 28 gallons of fuel. When added together, this is equivalent to 130 days of flow of oil in the Alaska Pipeline¹. More Americans are moving further away from urban centers in order to find affordable housing options and job opportunities. Transportation costs are quickly overtaking housing costs as the largest household expense in many areas of the country.

Housing & Transportation Cost



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In addition, as more and more commuters turn to public transportation, budgetary constraints at the local, state and federal levels are forcing transit systems to increase their fares. While public transportation is a more cost effective way of commuting in almost all cases, these fare increases are adding to commuting costs. The transit commuter benefit is critical to helping families meet these financial challenges.

¹ 2010 Texas Transportation Institute Urban Mobility Study,

² *2010 CNT Study - 'Penny Wise, Pound Foolish' Report www.cnt.org

TRANSIT BENEFITS WORKING FAMILIES

The transit portion of the commuter benefit (herein referred to as the transit benefit) is currently being used by more than 2.7 million working Americans. The transit benefit has been used as a tool to promote transit use, conserve energy, improve the environment, and ease congestion. However, the primary advantage to individuals is that the transit benefit provides financial incentive to those who take transit or a vanpool. Employees can save up to \$1,150 a year in Federal taxes as a result. The tax savings enjoyed by these individuals is then put directly back into the US economy rather than being used to pay for foreign oil.

Tax Savings of a Worker Making \$50,000 year

	Without Commuter Benefits	With Commuter Benefits
Salary	\$50,000	\$50,000
Commuting Costs	\$2,760	\$2,760
Taxable Income	\$50,000	\$47,240
Federal Taxes Paid (25% bracket)	\$12,500	\$11,810
Payroll tax	\$3,825	\$3,613
Take Home Pay	\$33,675	\$34,577
Savings	\$0	\$902

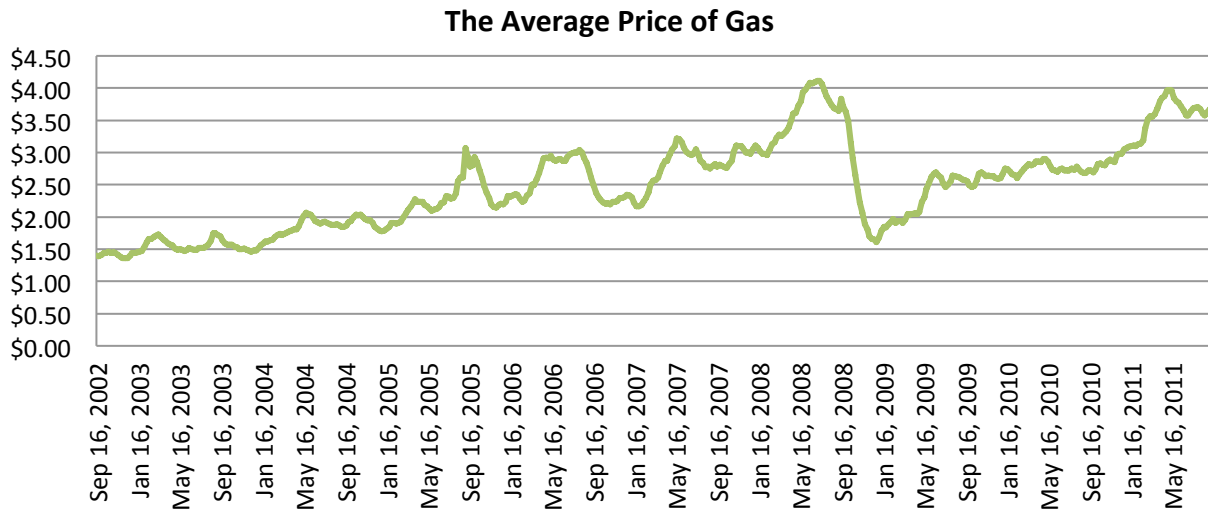
Employees who take advantage of the transit benefit save up to \$1,150 in taxes paid depending on their state of residence and income level. The transit benefit has the ability to directly reduce a working American's commuting cost by up to 40% when you take into consideration Federal, State, and local taxes.

If the transit benefit were to be eliminated or the cap reduced to \$120/month, the subsequent increase in commuting costs would be equivalent of transit tax of 20% to 40%.

A Transit Tax?

	If Cap Would Decrease to \$120/month
Federal 'Transit Tax'	\$330/year
Payroll 'Transit Tax'	\$102/year
Transit Tax Total	\$432/year

*For employee with a salary of \$50,000/yr and commuting costs of \$230/month



The commuter benefit also can lead to additional savings for families - beyond immediate tax savings. Families who choose to take public transportation and take advantage of the commuter tax benefit are saving money by avoiding the rising cost of fuel. The rise in oil prices has had an impact on every American's budget. The average price of gas has more than doubled over the past ten years.

The transit benefit has helped millions of Americans keep their hard earned dollars in their pockets instead of spending them on fuel, much of which is imported from foreign countries. A worker with a commute of 20 miles each way can save \$1,100 a year in fuel costs by using the transit benefit. This does not account for other costs such as maintenance, parking and the tax savings previously mentioned.

All told the potential annual savings from using the transit benefit and not driving to work is over \$8,400⁴ year. **The Transit Benefit Works for Working Families**

James Duffy is a school teacher living in Bucks County, Pennsylvania. He takes the West Trenton line from Yardley into Center City, Philadelphia. His monthly trail pass is \$191.00 a month. His annual salary is just above \$44,000. The transit benefit helps him save almost a \$100.00 a month in tax savings and cuts his commuting costs in half. Without the transit benefit, Mr. Duffy has said that he wouldn't be able to teach in the cities neediest school and would instead look to teach at a school closer to home.

³ Energy Information Administration

⁴ Based off potential tax savings, fuel savings, vehicle maintenance, parking costs and other indirect expenses

TRANSIT BENEFITS SMALL BUSINESS AND JOB CREATORS

The transit benefit makes sense for businesses of all shapes and sizes. The provision is a pre-tax benefit not only for employees, but also for the employers who offer it. Thus, employers can reduce payroll taxes, providing a sound fiscal saving for the employer, and providing many employers with additional resources to expand and create new jobs. The **Transit Benefit Works for Small Business and Job Creators**

Last year employers saved an estimated \$311 million dollars in payroll taxes as a result of the transit benefit. That savings may have been used to:

Hire 6,220 new workers

Purchase 248,000 new computers

Buy 361,627,906 boxes of paper clips

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In a recent survey, 77% of small businesses and corporations said they were somewhat or very concerned that the cap might be reduced – up to 60% of large companies surveyed feared that employees would decide to look for work closer to home.⁶

Over heard from employers:

"I think the employees feel as though you're on their side, you're looking for something that's going to benefit them and help them out."

"It is a cheap way to give your employees something extra, and since every year you usually raise their deductions on their health insurance, [Transit Benefits are] something that the employer and employee can save money."

⁵ Figures based on \$50,000 per new hire, \$1,250 per computer, \$.86 per box of paper clips

⁶ 2011 Transit Center Commuter Impact Survey

TRANSIT BENEFITS

Congestion Reduction

Transit's detractors suggest that public transportation use does not have a real impact on congestion. However the facts bear otherwise. In 2008, Americans took 10.7 billion trips on vanpools and public transportation⁷ reducing 796 million hours of delay for drivers and helping to save the economy \$16.8 billion in lost time and fuel⁸. The transit benefit is a critical tool to increasing ridership and helps play a direct role in getting more Americans out of the cars and into public transportation or a vanpool.

One of the unintended side effects of the recent recession was a reduction in congestion. There was a direct correlation between congestion reduction and lower vehicle miles travelled. In fact, in 2008 a *3% drop in vehicle miles traveled resulted in a 30% drop in peak period congestion in 2008 during the height of the recession*⁹. While a recession is not the type of congestion reduction strategy being proposed, from it we did learn that by shifting a small number of commuters away from a solo commute during peak periods, there was proven congestion reduction.

The transit benefit has played a major role in promoting transit. Studies show that 18% of tax-free transit benefits users converted to public transportation from solo driving after enrolling in the program¹⁰. There are nearly 2.7 million Americans who now receive that transit benefit. When considering that a 3% mode shift from driving alone can effectively reduce congestion by 30%, **The Transit Benefit Works to Reduce Congestion.**

CONGESTION REDUCTION - THE DC METRO EXPERIENCE

The Washington Metropolitan Area Transit Authority (WMATA) has on record at least 285,000 people who use the transit benefit in the Washington, DC metro region. If those people were to stop using transit and drive to work alone it would create a line of cars sitting bumper to bumper from Washington, DC to Jacksonville, FL with another 42 miles worth of cars to spare. Studies have shown that when the transit benefit is introduced to workers, nearly 1 in 5 (18%) will convert from a solo commute to transit. So if the reverse is true and the transit benefit was eliminated or reduced, the mode shift back to a solo commute would have the effect of adding 3 full lanes of cars from Washington, DC to Fredericksburg, VA. This type of shift would dramatically increase congestion and delay in the Washington Metro area effecting energy consumption, productivity, and quality of life. In addition, this type of congestion would make 'rush-hour' longer and would have an impact on freight movement along the entire eastern seaboard.

⁷ APTA Fastfacts <http://www.apta.com/mediacenter/ptbenefits/Pages/FactSheet.aspx>

⁸ 2011 Texas Transportation Institute Urban Mobility Study

⁹ 2009 Inrix National Traffic Scorecard <http://inrix.com/scorecard/>

¹⁰ Transit Center 'The Impact of Commuting On Employees How Commuter Benefits Can Help' February 2008

TRANSIT BENEFITS

Energy Independence

Our nation is at a crossroads in its search for sustainable energy solutions and energy independence. Volatility in the global markets as well as a dramatic increase in worldwide energy consumption over the past 20 years has forced to United States to reconsider its energy policies. More and more it is becoming apparent that in order to establish energy independence we must look towards an 'all options' strategy. No longer can we afford to squabble between increased production versus conservation, or picking and choosing winning and losing strategies. We must pursue all available options.

The rise in oil prices has also had an impact on every American's budget. The average price of gas has more than doubled over the past ten years. The transit benefit has helped millions of Americans keep their hard earned dollars in their pockets instead of spending them on oil imported from foreign countries. Not only has the transit benefit helped American's save money on the price of gas but it has helped conserve billions of gallons of oil and energy by getting people out of their cars and into public transportation. **The Transit Benefit Works to Help Create our Energy Independence.**

Last Year, the transit benefit helped conserve 184 million gallons of gas, or 4.38 million barrels of oil.

The transit benefit helped Americans save \$8.4 billion at the pump in 2010

Slightly more than one in three (38%) say they use transit more due to receiving Transit

TRANSIT BENEFITS SMALL TOWN AMERICA

New York, San Francisco, Chicago, Philadelphia, Seattle, Washington, and Boston - these are the cities that usually come to mind when thinking about transit. The transit benefit has certainly done a great deal for workers who live in those metropolitan areas, but the transit benefit isn't just for them. Hundreds of thousands of people in areas like Anchorage, Alaska; Birmingham, Alabama; Las Cruces, New Mexico; and Melbourne, Florida ride in a vanpool to and from work and use the transit benefit to reduce the cost of their commute.

Vanpooling is one of the most cost-effective modes of public transportation and is often utilized by State and local governments as a way to provide transportation options to workers when there is not enough density or demand to create traditional transit services. In addition to urban and suburban areas, vanpooling is relied upon by thousands of people in rural communities who have no other means of transportation, or are unable to drive due to age or disability.



When gas prices doubled in the spring of 2008, transit ridership across the nation increased by 4-5%, however, vanpooling increased by nearly 40%¹¹. The transit benefit provided relief for those workers who were hit the hardest by the sharp increase in gas prices without need for additional federal funding to support capital expansion of a rural transit system. **The Transit Benefit Works for Small Town America.**

CASE STUDY – WHITE SANDS MISSILE BASE VANPOOL PROGRAM


The vanpool program at White Sands Missile Range began in 2008. Over 4000 military and civilian commuters make the long commute to this remote facility daily. Understanding the strain the commute was having on its employee's wallets and quality of life, Base Commanders at White Sands decided to initiate a vanpool program and contracted with a private vanpool provider for on-site management which included complete fleet management, marketing of vanpool services, and administration of the transit benefit. This successful partnership has positioned White Sands to boast one of the largest vanpool fleets at a military installation in the United States, with over 70 active vanpool groups. The program has allowed hundreds employees to save time and money on their commute.

¹¹ According to 2008NTD figures


TRANSIT BENEFITS

ENVIRONMENTAL BENEFITS

The transit benefit has a direct impact on helping protect the environment. An individual switching to public transportation as a result of being offered the transit benefit can reduce their daily carbon emissions by 20 pounds; that's more than 4,800 pounds in a year.¹² Air pollution does not recognize borders on a map – it is a universal issue. Congestion reduction, conservation of natural resources and elimination of harmful emissions in any part of the Country affects the entire Country. Transportation use in America accounts for more than one-third of all carbon emissions in America. Many commuters are turning to public transportation as an effective way to reduce their carbon footprints. **The Transit Benefit Works to Protect the Environment.**



Last Year transit benefit users reduced their carbon emissions by 1,804,114 tons as a result of taking transit.



The environmental impact of the transit benefit is the equivalent of 41 million trees being



The transit benefit has the same impact on the environment as would recycling 551,000 tons of waste.

¹² *Public Transportation's Contribution to U.S. Greenhouse Gas Reduction, APTA*

LEGISLATIVE EFFORT TO MAINTAIN PARITY

Commuter Benefit: Transit Benefits, Parking Benefits, and Parity (lions and tigers and bears...oh my!)

Commuter benefit programs are a way to lower the cost of living for working individuals and families by reducing the cost of getting to work. For most families, transportation is the second largest household expense. Having access to lower cost transportation choices makes a difference for families struggling to make ends meet. Across the country, increased public transit ridership numbers reflect these trends.

Individuals who take transit to and from work can utilize the commuter benefit to reduce their transportation costs. This benefit is especially powerful as a combatant to the substantial and continuing fare increases across the nation.

What is the disparity between the Transit and Parking portions of the Commuter Benefit?

The 2010 Tax Extension Package temporarily extended parity by maintaining the cap on the transit and vanpool portion of the benefit to \$230/month, the same as parking. Under previous Federal law, employers could offer their employees an option of up to \$230/month in pre-tax parking benefits and \$120/month in pre tax transit/vanpool benefits. The disparity between the two benefit levels created a financial incentive for employees to drive alone to and from work rather than utilize transit or a vanpool. Without further Congressional action by December 31, 2011, the transit benefit will be reduced back to the \$120 per month level.

Is there legislation out there that addresses parity?

Congressman Jim McGovern (D-MA) and Senator Schumer (D-NY) have introduced legislation, the Commuter Benefits Equity Act of 2011 (S.1034, and H.R. 2412) establishing permanent parity between the transit and parking benefits.

Is this time-sensitive? YES!

Unless Congress acts, the transit and vanpool portion of the benefit will revert back to \$120/month on December 31, 2011. Inaction to make parity permanent would be the equivalent of placing a tax on employers who provide this benefit to workers who utilize public transit and their employees. Since payroll deductions must occur prior to the benefit being administered, the time to act is NOW so that commuter benefits are not impacted in January 2012 and beyond.