



2. employer subsidized transit pass

Employer Transit Fare Programs are typically organized as a partnership between the transit agency and local employers, and provide free or discounted bus passes to employees. This is a relatively simple program that while easily administered, can have a significant impact on commute patterns and is appreciated by employees.

Transit commuter benefits, including subsidized or free bus passes and/or vanpool passes are unlike flexible spending accounts, in that they are not subject to complex disclosures and reporting requirements. Tax-free transit commuter benefits are used by employers throughout the U.S. to subsidize the cost of employee commutes. The benefit is also tax-free to the employee and tax-deductible for employers under the Federal government. This strategy has been shown to increase transit ridership in both the short and long term.

Typically, transit passes are provided as part of a larger transportation demand management (TDM) program that includes parking cash out, bike/walk benefits or other incentives to encourage employees to use different modes.



How it works

The federal tax code allows employers to offer tax-free benefits for the purposes of taking transit, vanpooling, and paying for parking. These “Qualified Transportation Fringe Benefits” are deducted from corporate gross income for taxes paid by the employer. Both employers and employees save on taxes because neither pays federal income or payroll taxes on these benefits.

Benefits include:

- Up to \$230 is excludable from gross income per month for vanpooling and transit
- Up to \$230 is excludable for parking

Employers may also offer employees \$20 per month for reasonable expenses associated with bicycling to work (see [commuter bicycle benefits](#) for complementary strategy).

The program can be implemented in one of three ways:

1. Employer Paid : the employer pays the full benefit and gets the payroll tax reduction and business expense.
2. Employee Paid : the employer sets up the program and allows employees to put away pre-tax income for the vanpool or transit expense, saving them taxes.
3. Employer/Employee Cost Sharing : the employee receives a tax-free subsidy for part of his/her commuting expense and the employer’s federal payroll taxes are reduced on the amount of the subsidy.

Some employers have had success using third party vendors to help manage the program, but many employers are able to manage the program internally. The Internal Revenue Service (IRS) recommends employers maintain the following records as part of the program:

- Documentation on purchase of vouchers
- List of program participants
- Enrollment/registration forms filled out by employees showing willingness to participate
- Authorization forms that allow employers to set aside wages for “qualified fringe transportation benefits”
- There are no further substantiation requirements if employer distributes vouchers
- Cash reimbursements require a record
- No written plan necessary/do not have to ask IRS for permission to implement a program

Application to Memphis

Employers located in downtown (such as the City of Memphis and Shelby County) and midtown Memphis (Le Bonheur Children's Hospital, University of Tennessee) are excellent candidates for an employer transit pass program, as are employers that already have a high number of people commuting by transit, such as Federal Express.

The City of Memphis and Shelby County, for example, provide employees with free parking but do not offer a transit benefit. As such, they are rewarding people who drive to work and effectively discouraging people who use transit, even though the City of Memphis is a primary contributor to MATA and the City must provide overflow parking to accommodate all employees. Providing a subsidized (or free) transit pass to employees "levels" the playing field for employees who use transit and supports a city-funded program. The transit benefit program would also encourage the county's vanpool program.

Federal Express has some 30,000 employees at its facility on Democrat Road, many of whom use MATA to get to/from work. Subsidizing transit passes would be greatly appreciated by employees already using the bus as it would increase their incomes; it is also likely that the benefit would encourage more people to commute by transit. An increase in ridership would also encourage MATA to increase service to Democrat Road, which would make the service more attractive for more employees. Offering subsidized passes also encourages transit use for nonwork trips, increasing MATA's effectiveness and providing other benefits for employees

Other potential locations

Methodist Hospital (Elvis Presley Blvd) | Veterans Affairs Medical Center (Poplar Ave) | IRS (Shelby Rd)



Best Practices

Barnes Jewish and St. Louis Children's Hospital, Missouri, has provided transit pass subsidies for employees since 2006. The passes offer unlimited travel for employees commuting to the hospital by MetroBus or MetroLink during the month of purchase. The hospital offers a \$20 subsidy and employees who purchase the pass through payroll deduction are eligible to receive a discount. Over 50% of hospital employees participate, including many who travel from rural areas outside of St. Louis.

The hospital also offers a shuttle to/from transit stations, a Guaranteed Ride Home program, ridematch services for carpoolers, secure bicycle parking and showers. The hospital also has an on-campus transit hub, which they say showcases the campus as an attractive place to work.

Duke Energy employs nearly 2,500 in downtown Charlotte, NC, in an area known as Uptown that is well served by transit. Initially about 100 employees commuted by transit. In 2006, Duke Energy began offering a \$50 monthly subsidy towards the purchase of a Charlotte Area Transit (CATS) transit services, either a monthly bus pass or a vanpool pass. By the end of 2006, the number of people participating in the program and commuting by transit more than doubled to 225 people. In 2007, Duke Energy increased the subsidy to cover the full cost of either a bus pass or vanpool program and participation. At the end of the 2007, CATS opened its light rail line and program participation increased to nearly 385 employees, or roughly 16% of the employees eligible for the program.

Employee feedback has been incredibly positive, such that Duke Energy expanded the program to employees based in Cincinnati Ohio and Houston Texas. In addition, Duke Energy expanded the program so that people purchasing monthly transit passes also receive two free parking passes each month. The employee commute program also includes free parking for carpools and vanpools, new bike parking facilities, showers and lockers for bike commuters and an internal Transit Subsidy Program webpage where employees can learn more about the program.