

# About Federal Tax Law Section 132(f)



[www.commutercheck.com](http://www.commutercheck.com)  
800.531.2828

Section 132(f) of federal tax law encourages employers to assist employee mass transit commuting costs by allowing tax-free subsidies of transit passes, tickets, tokens, etc. The maximum tax-free discount that can be provided for transit is \$115 per month. Additionally, the law provides for tax-free parking of up to \$220 per month.

Initially, Congress required employers who provided transit benefits to do so by supplementing employee salaries. This gave employees a tax-free cash-like raise without increasing employer FICA obligations. While tax efficient, it was still an added business expense for employers.

In 1998, the Federal tax law was updated permitting employees to take a pre-tax salary reduction to pay for transit fares or parking expenses. Under this law, employees can save realize tax savings of over \$580 when they participate in a transit benefit program and almost \$1000 through a parking program. Employers can still offer Commuter Check as a supplement to salary, or implement a combination of the subsidy and pre-tax payments.

Accor Services is a national leader in Section 132 programs and works closely with transit agencies across the nation to provide commuter benefit programs and ensure they are compliant with the tax code. Feel free to contact us for additional information or to answer any questions about developing a program for your agency.

