Date: January 18, 2006

To: Human Resources Directors

From: Gina Caywood  
Interim Senior Director  
Human Resources Administration

Subject: Transportation Incentives – 2006 Exclusion Rates for Qualified Programs

The 2006 exclusion rates for qualified transportation fringe benefits are being provided for campuses with transportation incentive programs developed to comply with regional air quality programs. The qualified parking rate corresponds to the CSU Pre-Tax Parking Deduction Program.

<table>
<thead>
<tr>
<th>Qualified Transportation Fringe Benefit (QTFB)</th>
<th>2005 Rate</th>
<th>2006 Rate</th>
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<tbody>
<tr>
<td>Transportation in a commuter highway vehicle/transit passes</td>
<td>$105/month</td>
<td>$105/month</td>
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The monthly amount that may be excluded from an employee’s gross income is $105 for the aggregate benefits of transportation in a commuter highway vehicle and by transit pass.

| Qualified parking (Employer-provided parking) | $200/month | $205/month |

The monthly amount that may be excluded from an employee’s gross income is $205 for qualified parking.

The monthly exclusion rate for all QTFBs cannot exceed the combined rate of $310/month ($105 + $205) for 2006.

Qualified transportation fringe benefits under Internal Revenue Code (IRC) Section 132(f) are excluded from gross income. Amounts exceeding these exclusion rates are taxable, reportable income. To ensure that benefits are excluded from gross income, campus transportation incentive programs must comply with federal regulations. Please refer to the State Controller’s Office (SCO) Payroll Procedures Manual (PPM) for guidance as appropriate.
As a reminder, a qualified transportation fringe benefit means any of the following:

a. Transportation in a “commuter highway vehicle” if such transportation is in connection with travel between the employee’s residence and place of employment.

A commuter highway vehicle is a vehicle with seating capability of at least six adults, not including the driver. There must be a reasonable expectation that at least 80 percent of the mileage vehicle use is for transporting employees between their residences and places of employment, using at least one-half of the adult seating capacity of the vehicle, not including the driver.

Please note that personal use of a commuter highway vehicle is reportable as taxable income.

b. Any transit pass

A transit pass includes any pass, token, farecard, voucher or similar item entitling a person to transportation, or transportation at a reduced price, on mass transit or in certain vehicles for hire.

c. Qualified parking

Qualified parking is parking provided to an employee on or near the business premises of the employer or on or near a location from which the employee commutes to work by mass transit, in a commuter highway vehicle or by carpool.

The CSU Pre-Tax Parking Deduction Plan allows eligible employees to pay for qualified parking expenses via salary reduction with pre-tax dollars. Information pertaining to this systemwide benefit program is available on the Human Resources Administration’s web site at: http://www.calstate.edu/Benefits/flexible/parking.tl.shtml.

CSU transportation program incentives such as prizes, gift certificates, gifts or merchandise earned through point accumulation programs, and script which may be used to purchase merchandise at discounted prices, are taxable fringe benefits.

If you have any questions, please call Human Resources Administration at (562) 951-4411. This technical letter is also available on the Human Resources Administration’s Web site at: http://www.calstate.edu/HRAdm/memos.shtml.

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