Date: March 26, 2014

To: Human Resources Officers
   Benefits Officers

From: Evelyn Nazario
       Associate Vice Chancellor
       Human Resources Management & CO HR Services

Subject: Transportation Incentives – 2014 Exclusion Rates for Qualified Transportation Programs

Overview

Audience: Human Resources Officers, Benefits Officers, and/or campus designee(s) responsible for:
          - Communicating information to employees regarding campus transportation and/or incentive programs, including Pre-Tax Parking, or Transit Pass Reimbursement, or Commuter Highway Vehicle(s) (i.e., Van Pool)
          - Administration of campus transportation programs, as referenced above.

Action Item: Information Only

Affected Employees: All employees eligible to participate in a campus-administered transportation program.

Summary: This technical letter provides campuses with 2014 maximum exclusion rates for Qualified Transportation Fringe Benefits (QTFB), that impact various transportation incentive programs that are offered on the campus. Please note the following:

1) The 2014 exclusion rate for transportation in a commuter highway vehicle or by transit pass has been reduced to $130 per month; and
2) The 2014 exclusion rate for parking has been slightly increased to $250 per month.

This technical letter should be reviewed in its entirety by Benefits Officers and any campus designees responsible for administration of campus transportation and/or incentive programs.

The 2014 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 rate for transportation in a commuter highway vehicle or use of a transit pass corresponds to Van Pools and Pre-Tax Transit Pass Reimbursement(s) that may be available on campuses (availability may vary). The qualified parking rate corresponds to the CSU Pre-Tax Parking Deduction Program.

Qualified Transportation Fringe Benefit (QTFB)  2014 Rate

Transportation in a commuter highway vehicle/transit pass  $130/month

For 2014, the maximum monthly amount that may be excluded from an employee’s gross income has been decreased to $130 per month for the aggregate benefits of transportation in a commuter highway vehicle or by transit pass.
Please note: In 2010, the American Recovery and Reinvestment Act set the transit benefit limit to equal the parking limit. This provision was set to expire at the end of 2010, and was extended by law to the end of 2011 when it again expired. For 2012, the limit dropped to $125. However, the American Taxpayer Relief Act extended this provision (making the transit benefit limit equal to the parking limit) to the end of 2013, including retroactively for 2012. However, our office has confirmed that no extension of this provision for 2014 is currently in place at this time, hence the delayed release of this technical letter.

**Qualified Transportation Fringe Benefit (QTFB) 2014 Rate**

| Qualified parking (Employer-provided parking) | $250/month |

For 2014, the maximum monthly amount that may be excluded from an employee’s gross income has been slightly increased to $250 for qualified parking.

*Please note: The monthly exclusion rate for all QTFBs cannot exceed the combined rate of $380/month ($130 + $250) for 2014.*

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, fare card, 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. Please note: the CSU Pre-Tax Parking Deduction Plan allows eligible employees to pay for qualified parking expenses via salary reduction with pre-tax dollars.

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.
Common Management Systems (CMS) Processing Instructions
This technical letter has no impact to CMS Baseline.

General Information
Questions regarding this Technical Letter may be directed to Human Resources Management at (562) 951-4411. This document is also available on the Human Resources Management Web site at: http://www.calstate.edu/HRAdm/memos.shtml.

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