Employment Transportation Models April 2023

Employers and employees alike have an interest in ensuring there are simple and accessible methods of commuting to work. While many may choose to drive, there are often economic or practical reasons that this is unfeasible, including gas prices, high congestion, or limited parking. Alternative models exist for long distance work commutes.

Models for Employment Transportation

Vanpooling occurs on a larger scale than carpooling and further reduces costs and commute times. The specific numbers vary between services and jurisdictions, but a larger vanpool may seat up to 15 passengers. With this larger number of passengers, a vanpool's benefits can be high, and are likely to be highest for longer commutes. Like carpooling, vanpooling can be organized by individual employees, with support from an employer, or with assistance from a third party. Limited access to suitable vehicles may be a common obstacle with developing a vanpool, particularly when a larger vehicle is best suited. If the benefits are high enough to warrant the expense, an employer may lease or purchase a suitable vehicle, or assist its employees in creating an agreement with a third party vanpool program. A public transit agency might choose to administer a vanpool program, reducing the number of cars on the road.

Case study examples of vanpool programs include Go NEwhere (PDF), Commuter Co-op Vermont (PDF), Lowcountry Go Vanpool Program (PDF), and 511NY Rideshare Program (PDF).

Carpooling involves a group of people sharing a vehicle to commute, reducing reliance on multiple vehicles and associated travel costs. The 2022 Transportation Statistics Annual Report suggested 7.79% of Americans carpooled to work, with 7.45% in 2, 3, or 4-person trips. Carpools can take advantage of high-occupancy vehicle (HOV) lanes where eligible, further reducing commute time. Many carpoolers are family or friends, but they can be connected through online services or support from employers. This might take the form of interested employees being directly matched by HR via zip code or something as straightforward as a map, marker, and signup sheet available in a break room. If an employer believes that carpooling would be both viable and beneficial, it may choose to directly incentivize the practice. Participants would need to consider the distribution of operating and emergency costs, and whether the carpool would have one regular driver or instead rotate between the participants.

Public transit, where systems and infrastructure exist, also benefits commuters and employers. Bus or van routes, passenger trains, light rail, and rapid transit systems are all options which may prove beneficial. An employer might increase access by working directly with a transportation provider to provide input on schedule or service location where employees could be picked up by professional drivers.

Financing Employment Transportation Models

This section is not tax advice. Please consult with your CPA before implementing any changes.

There are a number of programs which may be of interest to employers considering how to implement employment transportation programs. **IRS Publication 15-B (2023)** offers information on a number of Fringe Benefits. Among the information listed is a $300 monthly exclusion for qualified parking and a $300 monthly exclusion for commuter highway vehicle transportation & transit passes. Transportation (Commuting) Benefits include De Minimis benefits where the employer can provide certain vouchers or benefits from employee wages up to $21 a month, if not occurring alongside the $300 benefit for paid parking, transit passes, and/or vanpooling.

Also described on the same page is the prospect of a Compensation Reduction Agreement, utilizing pre-tax wages to fund transit passes or a vanpool program (again up to the limit of $300 a month). If it is less complicated, an employer may directly fund a vanpool or pay a provider.

Put simply, what this means is that employers can withhold up to $300 a month of pre-tax income for these specific commuting expenses, reducing taxable income. To fully understand these benefits, it is advised to have your CPA review IRS Publication 15-B (2023) in depth.

It may be that there are also state benefits available, despite commuting to work not being a tax-deductible expense. Maryland, for example, offers a Commuter Tax Credit that covers 50% of the costs of providing commuter benefits, up to $100 a month for each participating employee, certain requirements being met. It is worth investigating options and regulations for any state or district, with your CPA's advice allowing you to determine where to best direct your attention.

These benefits change regularly, and it is important to review any changes to the tax code as shifting policies may support or hinder employer and employee decisions. Further information on Qualified Transportation Fringe is detailed at this link regarding 132(F) of the IRS tax code.

The Federal Bonding Program:

While it is not directly related, this underutilized program may be of use to employers as they consider employee recruitment and retention, and related financial planning. The **Federal Bonding Program** is a no-cost benefit for employers to insure their business if they hire at-risk, hard-to-place job seekers, which can include individuals who have a substance use disorder, justice-involved individuals, and others. The Directory of State Bonding Coordinators is a useful resource to find how the program is administered in your state.

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