



2016 Transit Rate Increased to \$255 per Month

On December 17, 2015, The U.S. House of Representatives passed the "Protecting Americans from Tax Hikes" (PATH) Act. The Senate approved the measure on December 18th, folding it into the Consolidated Appropriations Act, and President Barack Obama signed the omnibus bill into law that same day.

As of Friday, December 18th, a law restoring parity to pre-tax parking and transit deductions for commuter plan members had been signed by the President. This is retro-effective to January 1, 2015, and the legislation has made this parity permanent moving forward.

- For 2015, the monthly transit pre-tax contribution limit has now been set to \$250. This is the same as the monthly parking limit for 2015.
- In 2016, the new monthly pre-tax contribution limit will be \$255 per month for both parking and transit.

Employers can elect to update their plans accordingly to meet these limits. Reclassification of 2015 funds has not been mandated by the IRS at this time. If an employer chooses to reclassify 2015 contributions, payroll records, employer quarterly filings and W-2 updates will need to be made.

Maximum Monthly Tax Exclusions

	2016	2015
Transit	\$255	\$130 (retroactively raised to \$250)
Parking	\$255	\$250

Advantage of Pre-Tax Commuting and Parking Expenses

Organizations can subsidize their employees' commuting or parking costs with pretax dollars up to the allowable monthly limit, which results in lower payroll taxes than if they paid the money in wages. Alternatively, employees can pay for commuting or parking by having pretax dollars deducted from their paychecks through an employer benefit program, up to the allowable monthly limit.

For questions, please contact Linda Sullivan at linda@hrknowledge.com or 508-339-1300, ext. 205.

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