



House of Representatives

General Assembly

File No. 134

February Session, 2002

Substitute House Bill No. 5527

House of Representatives, March 25, 2002

The Committee on Transportation reported through REP. COCCO of the 127th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT EXPANDING THE DEDUCT-A-RIDE PROGRAM.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective from passage*) Each individual, firm,
2 corporation, partnership, organization, the state or a political
3 subdivision of the state or any other entity that employs twenty-five or
4 more employees in one location shall offer to such employees the tax
5 benefits specified in Section 132(f) of the Internal Revenue Code of
6 1986, or any subsequent corresponding internal revenue code of the
7 United States, as from time to time amended.

This act shall take effect as follows:

Section 1	<i>from passage</i>
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Statement of Legislative Commissioners:

The word "tax" was inserted before "benefits" for clarity and accuracy.

TRA Joint Favorable Subst.-LCO

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Fund-Type	Agency Affected	FY 03 \$	FY 04 \$
GF - Revenue Loss	Revenue Serv., Dept.	Indeterminate	Indeterminate

Note: GF=General Fund

Municipal Impact:

Effect	Municipalities	FY 03 \$	FY 04 \$
Cost	Various Municipalities	Minimal	Minimal

Explanation

This bill results in an indeterminate revenue loss to the state personal income tax to the degree that employers that have more than 25 employees are not currently allowing their employees to participate in the federal transportation fringe benefit program. The bill requires all employers in the state with at least 25 employees in one location to offer their employees the federal tax benefits under the deduct-a-ride program.

The revenue loss results from the ability of participants to pay for eligible transit costs with pre-tax deductions from their wages. Therefore, state income taxes will be calculated based on a lower adjusted gross income. The revenue loss cannot be quantified because it is not known 1) how many more employees will participate in the program, 2) the amount of their eligible transit costs, and 3) their current income level.

In addition, various municipalities could incur minimal administrative costs to the extent that they are not currently providing this benefit to their employees.

OLR Bill Analysis

sHB 5527

AN ACT EXPANDING THE DEDUCT-A-RIDE PROGRAM**SUMMARY:**

The bill requires the state, all of its political subdivisions, and any employer with 25 or more employees in one location to offer their employees the transportation fringe benefits provided for in the Internal Revenue Code (§ 132(f)), and any subsequent corresponding provisions relating to these benefits. These benefits (known by the popular name of Commuter Choice or, in Connecticut, as “Deduct-a-Ride”) generally involve exclusion of income that qualifies as a transportation fringe benefit from a taxpayer's gross income. These usually take three forms when offered by employers to their employees: transportation in a “commuter highway vehicle” between home and work, any transit pass, or “qualified” parking.

EFFECTIVE DATE: Upon passage

BACKGROUND***Nontaxable Transportation Fringe Benefits***

The Internal Revenue Code allows certain transportation fringe benefits an employer provides that would otherwise be taxable to the employee as income to be excluded from the taxpayer's gross income for income tax purposes. The types of commuting costs covered include (1) transportation in a “commuter highway vehicle” between home and work, (2) a transit pass, or (3) “qualified parking.”

A qualifying commuter highway vehicle must seat at least six adults besides the driver and have at least 80% of its annual mileage reasonably expected to be used to transport employees to and from work on trips with at least half the passenger seats filled, not counting the driver. A transit pass includes any pass, token, farecard, voucher, or similar thing allowing a ride on mass transit or a commuter highway vehicle. Qualified parking is employer-provided parking at or near work or at a location from which employees commute by

transit pass, commuter highway vehicle, or vanpool. The employer provides parking if it pays for it, reimburses the employee, or the parking is on property it owns or leases.

The current maximum amount that can be excluded under these provisions is \$100 per month for commuter highway vehicle or transit pass costs and \$180 per month for qualified parking costs.

Employers have several options for providing these benefits. They can (1) provide it as a tax-free benefit in addition to the employee's current salary; (2) permit the employee to deduct some of their gross income on a pre-tax basis to pay for transit, vanpools, or qualified parking; or (3) provide a portion of an employee's commuting expense in addition to his compensation and allow the employee to deduct part of his gross income to pay the remaining amount. There is also a "parking cash out" option under which employers can allow employees to "cash out" their parking spaces and receive taxable cash or tax-free transit or vanpool benefits.

COMMITTEE ACTION

Transportation Committee

Joint Favorable Report
Yea 28 Nay 0