TAX BENEFITS FOR RIDE-SHARING PROGRAMS

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ISSUE

Identify federal, state, and local tax benefits available to companies or individuals using ride-sharing programs.

SUMMARY

Federal law allows employers that provide ride-sharing services to their employees or reimburse them for qualified ride-sharing expenses to exclude the value of these benefits, up to $130 per month per employee, from employee wages. This, in turn, exempts (1) employers from paying payroll taxes on these benefits even if they provide them in place of wages and (2) employees from paying federal and state income tax on them (Internal Revenue Service, *Employer's Tax Guide to Fringe Benefits*, 2015).

Under state law, commuter vans may qualify for a local property tax exemption, motor fuel tax refund, and state sales tax exemption for the fuel they use. The state also authorizes a corporation business tax credit for large employers participating in traffic reduction programs, including ridesharing programs, in parts of the state with poor air quality. However, as explained below, this credit program is currently inactive.

STATE AND LOCAL INCENTIVES FOR RIDE-SHARING PROGRAMS

Property Tax

The state exempts vanpool vehicles from the property tax under two provisions. CGS § 12-81(65) exempts vehicles used for transportation on a nonprofit basis from home to work. If the vehicle is owned by or leased to an individual or an employer, it must seat seven to 15 people. If it is owned by or leased to a Department of Transportation approved ridesharing organization, it can seat between six and 19 people.

CGS § 12-81e exempts any van used to transport employees to and from work that is owned by an employer in the state, a regional ridesharing organization, or a dealer leasing vans to employers or ridesharing organizations.

Motor Fuels and Sales Tax

The state provides motor fuel tax refunds for companies or their employees that operate eligible commuter vans (i.e., high-occupancy commuter vehicles). To qualify for the refund, the:

1. claim must be for at least 200 gallons of fuel;

2. fuel must be used in a high-occupancy commuter vehicle on Connecticut roads;

3. vehicle must be owned or leased by a United States corporation or an employee of such a corporation, the state, or a Connecticut municipality; and

4. vehicle must (a) seat between 10 and 15 passengers, (b) have a minimum average daily usage of nine people, and (c) transport the passengers to and from work daily (CGS § 12-459 (a)(11)).

The state also provides a sales tax exemption for commuter van fuel that has received a motor fuel tax refund (CGS § 12-412 (37)).

Traffic Reduction Programs Tax Credit

CGS § 12-217s provides a corporation income tax credit for employers with at least 100 employees participating in the Department of Transportation's voluntary traffic reduction programs in the state's designated severe nonattainment areas (i.e., poor air quality areas designated by the federal Environmental Protection Agency). There are no such areas currently designated in Connecticut, thus rendering this credit program inactive.

By law, the credit is 50% of the amount the corporation spends in the designated area for the direct costs of traffic reduction programs and related services conducted in Connecticut, up to $250 per employee participating in alternative means of commuting. The aggregate amount of credits available under this program is capped at $1.5 million per year.

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