



EMPLOYEE BENEFITS CLIENT ALERT

February 23, 2009

STIMULUS PACKAGE INCREASES QUALIFIED TRANSPORTATION FRINGE BENEFIT

On February 17, 2009, the President signed the American Recovery and Reinvestment Act (the “Recovery Act”), popularly known as the stimulus package. Among other provisions, the Recovery Act included provisions which temporarily increase certain qualified transportation fringe benefits.

TRANSPORTATION FRINGE BENEFIT EXCLUSIONS

Qualified transportation fringe benefits include mass transportation benefits, such as transit passes and van pooling arrangements, and parking benefits. Within certain dollar limits, these benefits are not included in an employee’s taxable income. Currently, the law allows a \$120 per month income exclusion for mass transportation benefits and a \$230 per month income exclusion for parking benefits.

Effective in March 2009, the Recovery Act increases the monthly income exclusion for mass transportation benefits from \$120 to \$230 per month. The higher rate will be adjusted for inflation the following calendar year and is effective through December 2010.

The Recovery Act does not change the \$230 income exclusion for parking benefits. The lack of a change reflects the administration’s interest in promoting “green” environmental considerations by encouraging individuals to use mass transit. The monthly parking benefit is now the same as the monthly mass transit benefit.

Both the mass transportation benefit and the parking benefit are tax-free fringe benefits if provided by an employer. Alternatively, the employer may establish a program allowing employees to pay for the benefits through a pre-tax deduction from the employee’s wages.

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