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EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE  
JUNE 21, 2007

SUBJECT: FEDERAL LEGISLATION

ACTION: APPROVE STAFF RECOMMENDATION ON FEDERAL LEGISLATION

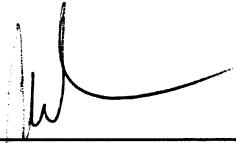
RECOMMENDATION

Adopt position on H.R. 1475 (McGovern) – A bill that amends the Internal Revenue Code to create parity between the parking and transit portions of the transportation tax benefit.  
**SUPPORT.**

ATTACHMENT

Attachment A: Legislative Analysis

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BILL: H.R. 1475

AUTHOR: CONGRESSMAN JAMES McGOVERN (D-MA)

SUBJECT: FEDERAL TAX EXCLUSION FOR TRANSIT RIDERS

STATUS: PENDING BEFORE BOTH THE HOUSE COMMITTEE ON WAYS AND MEANS AND THE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

ACTION: SUPPORT

**RECOMMENDATION**

Adopt a Support position on H.R. 1475 (McGovern).

**ISSUE**

Since 1993, employers have been able to offer employees a tax-free benefit for commuting by transit and eligible vanpools or to pay for commuter parking under IRS tax code section 132(f). Tax-free commuter benefits can be structured as an employee-funded pre-tax payroll deduction; as an employer-funded benefit; or the costs can be shared by employer and employee. Starting in 2007, the IRS has increased the maximum allowable monthly tax-free amount to pay for transit to \$110, and for commuter parking to \$215. The benefit can be delivered in the form of transit provider-specific passes, universally accepted vouchers and terminal-restricted debit cards, or through a reimbursement model under specific conditions defined by the IRS. Many transit proponents have criticized the disparity between the tax-free benefits offered for parking and transit users.

**PROVISIONS**

This bill seeks to amend the Internal Revenue Code of 1986 to increase the transportation fringe benefits for transit and vanpool users and to provide for a common cost-of-living adjustment.

Specifically, H.R. 1475, if adopted into law, would amend the Internal Revenue Code to increase to \$200, with a modified cost-of-living adjustment, the tax exclusion for transit and eligible vanpool users. In order to make this legislation revenue neutral, this measure would lower the parking fringe benefit to \$200, from its current level of \$215. At present, employers may offer their employees an option of up to \$215 a month in pre-tax parking benefits or \$110 a month in pre-tax transit/vanpool benefits. H.R. 1475 would eliminate the current disparity in the two tax benefits.

## **IMPACT ANALYSIS**

Increasing the tax-free benefit available to transit/vanpool users is widely seen as an effective, efficient, and rapid way to increase transit ridership and vanpool usage across the nation. It would be reasonable to expect that an increase in the tax-free benefits available to transit/vanpool users would help facilitate increased transit usage in Los Angeles County.

In addition to being helpful to current and prospective transit users in our region, equalizing the commuter benefit would be beneficial for employers in Los Angeles County. Because the benefit is a pre-tax benefit, employers do not have to pay taxes on it, while at the same time it provides employers with an effective employment recruitment and retention tool.