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# **Tax Reform and Transportation Benefits**

Separating Myths from Reality and  
What's Next in TDM Public Policy



6 “(4) QUALIFIED TRANSPORTATION FRINGES.—

7 No deduction shall be allowed under this chapter for  
8 the expense of any qualified transportation fringe  
9 (as defined in section 132(f)) provided to an em-  
10 ployee of the taxpayer.”, and

11 (2) by inserting after subsection (k) the fol-  
12 lowing new subsection:

13 “(l) TRANSPORTATION AND COMMUTING BENE-  
14 FITS.—

15 “(1) IN GENERAL.—No deduction shall be al-  
16 lowed under this chapter for any expense incurred  
17 for providing any transportation, or any payment or  
18 reimbursement, to an employee of the taxpayer in  
19 connection with travel between the employee’s resi-  
20 dence and place of employment, except as necessary  
21 for ensuring the safety of the employee.

22 “(2) EXCEPTION.—In the case of any qualified  
23 bicycle commuting reimbursement (as described in  
24 section 132(f)(5)(F)), this subsection shall not apply

# Tax Reform & Transit Benefits

- Impact on Employees:
  - Tax benefits for parking & transit remain available to individuals – nothing has changed for individuals who receive parking or transit benefits
  - Bicycle benefit has been eliminated (until 2026)





UNITED STATES

Internal  
Revenue  
Service  
Building

# Tax Reform & Transit Benefits

- Impact on Employers:

- Employers continue to NOT have to pay payroll taxes on employer provided transportation fringe benefits
- Employers are NO longer allowed to deduct expenses tied to providing transportation fringe benefits or commuting costs for individuals unless its for safety purposes
- Employers MAY deduct expenses tied to providing a bicycle benefit (however the bike benefit is taxable income for the employee and the employer would need to pay payroll taxes on the benefit provided)
- IRS will issue guidance on how this will be applied

# Tax Reform & Transit Benefits

- Impact on Non-Profits & Universities
  - Non-profit organizations will have to declare expenses tied to providing transportation fringe benefits as unrelated business taxable income of an organization.
- Impact on Government Organization
  - At this point, it does not appear that Federal employees will be negatively impacted as a government agency does not declare 'unrelated business taxable income'.



# What's Next in TDM policy

- State/Local
  - Expanded Interest in TDM/SUM policies and ordinances
  - Transit Benefit Ordinances  
Efforts underway in 10 metro areas and 2 States
  - Integration of Performance Measures
  - Climate Change



# What's Next in TDM policy

- Federal
  - Tweaks to recently passed Tax Reform
  - Infrastructure Package
  - Reauthorization of Transportation Bill
  - AV/CV policies



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