Tax Reform and Transportation Benefits
Separating Myths from Reality and What's Next in TDM Public Policy

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“(4) QUALIFIED TRANSPORTATION FRINGES.—
No deduction shall be allowed under this chapter for
the expense of any qualified transportation fringe
(as defined in section 132(f)) provided to an em-
ployee of the taxpayer.”, and
(2) by inserting after subsection (k) the fol-
lowing new subsection:
“(l) TRANSPORTATION AND COMMUTING BENEFITS.—
(1) IN GENERAL.—No deduction shall be al-
lowed under this chapter for any expense incurred
for providing any transportation, or any payment or
reimbursement, to an employee of the taxpayer in
connection with travel between the employee’s resi-
dence and place of employment, except as necessary
for ensuring the safety of the employee.
(2) EXCEPTION.—In the case of any qualified
bicycle commuting reimbursement (as described in
section 132(f)(5)(F)), this subsection shall not apply
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- 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)
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- **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 it’s 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.
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- 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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