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AGENCY



COMPLIANCE ALERT

Qualified Transportation Fringe Benefit Plan: Increase in Transit Benefits

Monday January 4, 2016

On December 17, 2015, the [Protecting Americans From Tax Hikes \(PATH\) Act of 2015](#) was signed into law by President Barack Obama. As part of the legislation the combined limit for transit pass and vanpooling benefits provided under a qualified transportation plan will now be equal to the limit for qualified parking. The following alert provides a review of both the 2016 and retroactive 2015 transit benefit plan increases.

2016 Transit Pass and Vanpooling Benefits Monthly Maximum

Effective January 1, 2016, the PATH Act increases the monthly combined exclusion limit for transit pass and vanpooling benefits provided under a qualified transportation plan from \$130 to \$255.

While the statutory limit has increased please note that the employer establishes the plan's monthly benefit maximum and would not be required to increase their transit pass and vanpooling benefit limit at this time. Employers should discuss their options with the plan's administrator.

2015 Retroactive Limit Increase

The legislation also retroactively increases the 2015 combined limit for transit pass and vanpooling expense benefits with the limit on the monthly exclusion for qualified transportation increasing from \$130 to \$250 effective January 1, 2015 through December 31, 2015.

Although the monthly benefit limit increased, under the legislation employees will not be permitted to change their 2015 benefit elections at this time. Election changes may only be made on a prospective basis.

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The new 2016 and existing 2015 qualified transportation fringe monthly exclusion limits are summarized below:

Maximum Monthly Benefit	2015	2016
Qualified Parking	\$250	\$255
	\$130	
Qualified Transit Pass and Vanpooling Expense	(retroactively raised to \$250)	\$255

Additional IRS Guidance Needed for 2015 Retroactive Limit Increase

Transit benefit plans that did permit employees to make after-tax elections in 2015 that exceeded the prior limit will need to watch for guidance from the Internal Revenue Service on how to adjust 2015 taxable wages. This would also apply to plans with employer contributions in excess of the monthly limit. Expectations are that the IRS will address this by providing procedures for reflecting income tax and FICA tax changes on Forms W-2, and making FICA tax adjustments.

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