

TRANSPORTATION SOLUTIONS: PARKING CASH OUT

WHAT IS PARKING CASH OUT?

Parking Cash Out is a benefit where employers offer their employees the *option* of a cash transportation benefit instead of a subsidized parking card/ space.

- The “cash out” is typically equivalent to or a percentage of or full cost of the parking subsidy.
- This benefit allows employees to choose how *they* want to get to work:
 - Continue accepting a subsidized parking card/space, or
 - Accept cash payment in lieu of parking card/space, which can be used how the employee wants:
 - Purchasing transit passes or fares,
 - Bicycling to work,
 - Arranging less expensive parking for themselves,
 - Ridesharing, or
 - All the above.

BENEFITS OF PARKING CASH OUT

- Voluntary program that empowers employees to choose what best suits them;
- Low cost and innovative benefit offering that is generally simple to administer;
- Reduce parking costs;
- Maximizes the efficient use of *existing* parking lots and ramps;
- Possible health benefits if employees shift to “active” travel modes like bicycling or walking to work or to transit, which may support your organization’s health and wellness efforts;
- Reduce the number of single-occupant vehicles, which can help reduce traffic congestion and pollution and support both community and corporate “green” initiatives.

TAXATION CONSIDERATIONS OF PARKING CASH OUT

A cash transportation benefit in lieu of a parking space or monthly card subsidy *is* taxable as regular compensation under current tax regulations:

- Employer incurs payroll taxes on the cash transportation benefit, and
- Employee’s taxable income increases.

Some employers offset additional payroll tax by lowering the cash out amount to match the increase in payroll tax costs. But the amount of the cash benefit needs to be set so that it is still an attractive benefit to employees.

Notably, the tax obligations for both employer and employee can be reduced or even potentially eliminated if tax-free public transit or vanpool benefits are offered to employees as well. Currently, the federal tax code allows employers to offer up to \$255/month per employee for tax-free qualified transit or vanpool benefits [IRS, Section 32(f) – Qualified Transportation Fringe].

EXAMPLE 1: The employer offers \$100 cash out benefit plus a transit pass benefit. An employee can take \$47 of the \$100/month parking cash out benefit to purchase a monthly Rapid transit pass as a *pre-tax deduction*. The remaining \$53 is pocketed by the employee as *taxable* income, reducing tax impacts on the employee *and* the employer.

EXAMPLE 2: The Federal tax code also allows employees to take a *pre-tax* deduction to pay for vanpooling up to \$255/month, which would make a \$100 cash out benefit fully tax free if used for qualified vanpool expenses. (Monthly vanpool costs in West Michigan typically range from \$80 - \$130/month depending on how many people are members of the vanpool and how far it travels.)

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HOW TO IMPLEMENT A PARKING CASH OUT BENEFIT

- Create internal procedures for employees to voluntarily opt into the Parking Cash out benefit:
 - Establish procedures for processing employees' opt-in benefit forms.
 - Identify and include any companion benefits like pre-tax deductions for transit or vanpooling.
 - Create an "opt in" form for employees who want to participate in Parking Cash Out to complete and submit to their supervisor or the appropriate department.
- Payroll system needs to account for those employees who elect to take a cash transportation benefit versus a parking benefit:
 - If your organization also offers pre-tax deductions for transit passes or vanpool expenses, those codes will also need to be established in your payroll system.
 - Some third-party payroll and benefits providers also manage public transit and vanpool benefits.
- Market the Parking Cash Out benefit to existing employees, new hires and potential employees:
 - Post benefit information on employee intranet page and/or create a Parking Cash Out "Fact Sheet" to explain the benefit and how employees can take advantage of it.
 - Include information in New Hire packages and in Benefits information on hiring notices.
 - Consider sending e-blasts or other "all employee" notices about this new benefit.

ENHANCING THE PARKING CASH OUT BENEFIT

Parking Cash Out is *most effective* when offered more commute options:

- Remote Parking / DASH Service – there are lower priced parking facilities connected with downtown via the *free* DASH circulator transit service or the fare free zone of the Silver Line.
- Monthly or Multi-Ride Transit Passes – consider offering transit passes as pre-tax deductions and/or subsidize the cost of a pass to enhance attractiveness of cashing out parking benefits.
- Ridesharing Information – employees can create a free profile at West Michigan Ride Share (www.wmrideshare.org) to form carpools or vanpools. Some employees may also consider using shared ride services like Uber or Lyft for some commute trips.
- Bicycle Commuting Support – support employees who want to commute by bicycle by providing secure (preferably covered) bicycle parking options or locating and letting your employees know about nearby public bicycle parking options. Employers can also consider adding lockers and showers on-site.

For more information on bicycle parking options and end-of-trip support amenities for work sites in the City of Grand Rapids, please contact the City's Mobile GR Department to request technical assistance from staff – mobilegr@grcity.us or (616) 456-3290.

- Guaranteed Ride Home Program – emergency rides home are available for any employee that uses an alternative to driving alone at least once a week by registering at wmrideshare.org/guaranteed-ride.

RESOURCES

Technical Assistance on Parking Cash Out, Remote Parking Options, the DASH, Bicycle Commuting, etc.	Information on The Rapid and West Michigan Rideshare
City of Grand Rapids Mobile GR Department (616) 456-3290 mobilegr@grcity.us http://mobilegr.grcity.us	Michael Bulthuis, Outreach Coordinator (616) 456-7514 http://ridetherapid.org http://wmrideshare.org