



COMPLIANCE *ALERT!*

Tuesday, January 6, 2015

Retroactive Increase in 2014 Transit Benefits

On December 19, 2014, the [Tax Increase Prevention Act of 2014](#) (TIPA) was signed into law by President Barack Obama. The legislation retroactively increases the 2014 combined limit for transit pass and vanpooling expense benefits provided under a qualified transportation plan, making it equal to the limit for qualified parking benefits.

This means that the limit on the monthly exclusion for qualified transportation increases from \$130 to \$250 effective January 1, 2014 through December 31, 2014. No changes have been made to the 2015 combined transit pass and vanpooling expense limit announced in October and the benefit will remain at \$130 per month.

The new 2014 and existing 2015 qualified transportation fringe monthly exclusion limits are summarized below:

	2014	2015
Qualified Parking	\$250	\$250
Qualified Transit Pass and Vanpooling Expense	\$250	\$130

Although the monthly benefit limit increased, under the legislation employees will not be permitted to change their 2014 benefit elections at this time. Election changes may only be made on a prospective basis.

IRS Guidance Needed

Transit benefit plans that did permit employees to make after-tax elections in 2014 that exceeded the prior \$130 limit will need to watch for guidance from the Internal Revenue Service on how to adjust 2014 taxable wages. This would also apply to plans with employer contributions in excess of the monthly limit. In the interim, employers should reach out to their internal or external payroll vendors to determine how this increase affects their plan.

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