

FREE PARKING IS NOT FREE ANY MORE *TCJA Taxes Employers for Employee Transportation Benefits*

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Under the new tax law, any expenses incurred for providing qualified transportation fringe benefit or transportation and commuting benefit to your employees is no longer tax deductible.

Who cares? I don't provide any "transportation benefit" to my employees.

If you have a parking lot that your employees can use, then these rules most likely apply to you as well.

WHAT?!?

The definition of a "qualified transportation fringe benefit" includes commuter highway vehicle (aka Vanpooling), transit passes, qualified bicycle commuting reimbursement, **and** *qualified parking*. Qualified parking is any parking provided to employees that the employer pays for either directly or indirectly or owns or leases.

There is a safety exception to the transportation definition, but it is very, very, very narrow.

So now I have to include something else in their W-2?

Well, mostly No. Congress did not eliminate the original rule that these benefits are excludable from the employee's taxable income as long as they are within a certain monthly limit. With one caveat.

Bike Lane Exception

The one exception is the bicycle commuting reimbursement. For some reason the representatives decided the extra exercise and necessity of dodging traffic were not penalties enough. Effective January 1, 2018, any amount paid to reimburse the employee for bicycle commuting must now be included in their W-2 as wages.

What's it going to cost me now?

Like everything else in the new tax law, determining what the disallowed amount is going to be is not straight forward and simple. And, also like most everything else, we are still waiting for more guidance from the IRS. A calculation involving actual costs (such as maintenance, snowplowing and other expenses), fair market value, employee cost and the statutory limits, along with an analysis of the value of the benefits received by the employee must be performed.

Exempts are not Exempt

Unfortunately Congress decided to apply the new rules to everyone. And since tax exempt entities are not affected by the disallowance of a deduction, they added a new twist.

For those who are tax exempt employers, the amounts that would have otherwise been disallowed as an expense are now required to be added into your Unrelated Business Taxable Income (UBTI). Yup! You might have to file a 990-T and pay a tax when you never had to before.

But, on the bright side, all of these new rules are set to magically vanish on January 1, 2026.

For more information on this or any previous topic, please contact **Victoria S. Carlin** at **vcarlin@dopkins.com**.



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Victoria has over 25 years of experience in providing tax consulting, compliance and tax audit representation to closely held businesses and the owners of closely held businesses. She delivers a full range of tax services in covering federal and multi-state laws and regulations for partnerships, S and C corporations, and individuals.