

DEPARTMENT OF TAXATION

2006 Fiscal Impact Statement

1. **Patron** Albert C. Eisenberg

3. **Committee** House Finance

4. **Title** Income tax: Employer-Provided
Commuting Benefits Tax Credit

2. **Bill Number** HB 1160

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would grant a credit against income tax and the insurance premiums tax to employers in an amount equal to 50% of the eligible commuting expenses that they pay for their employees. The annual credit would not exceed the lesser of \$600 per employee or the employer's tax liability.

This bill is effective for tax years beginning on or after January 1, 2006.

6. Fiscal Impact Estimates are: Not available. (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

While the credit available under this bill would result in a revenue loss, data is not available to estimate the General Fund revenue loss from this bill. Further, because this credit would be available against insurance premiums tax, there would be a revenue loss to the Transportation Trust Fund as well.

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: None.

11. Other comments:

Proposal

This bill would allow employers a tax credit against the individual and corporate income or insurance premiums tax for 50% of eligible employer-provided commuting expenses for employees, not to exceed \$600 per employee annually. This credit will not be allowed to the extent a federal deduction has been taken for the same commuting expenses. The credit may not exceed the employer's tax liability and may not be carried over.

Eligible commuting expenses are defined as the costs that pay for travel between an employee's residence and place of employment by means of multiple occupancy vehicle transportation or mass-transit transportation. To qualify as multiple-occupancy, a vehicle must seat a minimum of eight adults and transport a minimum of four adults per trip between their residence and place of employment for at least 80% of its total annual mileage.

Federal Law

Under federal law, employers may deduct commuting expenses provided to employees as a portion of their salaries and wages. For the 2006 tax year, employer-provided commuting expenses are includable in an employee's gross income to the extent they exceed \$105 per month for combined commuter highway vehicle transportation and transit passes, and \$205 per month for qualified parking. This amount is adjusted annually to reflect cost-of-living increases.

Also, for federal purposes, a qualifying vehicle must seat at least six adults (excluding the driver), and at least 80% of its mileage must be used for employees' commuting purposes and for trips when the vehicle is at least half full.

Other Legislation

HB 219, and **SB 661** would allow employers a tax credit against the individual and corporate income tax for 40% of eligible employer-provided commuting expenses for employees, not to exceed \$240 per employee annually. This credit will not be allowed to the extent a federal deduction has been taken for the same commuting expenses. The credit may not exceed the employer's tax liability but may be carried forward for five years. Eligible commuting expenses are defined as the costs that pay for i) travel between an employee's residence and place of employment by means of multiple occupancy vehicle transportation or mass-transit transportation, ii) parking fees, and iii) the installation of bicycle racks or showers, or both, for use by employees who ride their bicycles to work.

cc : Secretary of Finance

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