

# DEPARTMENT OF TAXATION

## 2006 Fiscal Impact Statement

1. **Patron** Dwight Clinton Jones

3. **Committee** House Finance

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

2. **Bill Number** HB 219

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

5. **Summary/Purpose:**

This bill would allow employers a tax credit against the individual and corporate income tax for 40% of the cost of eligible employer-provided commuting expenses for employees, not to exceed \$240 per employee annually. Unused credits may be carried over for five years.

This bill would be effective for taxable years beginning on and after January 1, 2007.

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.

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 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.

### **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. This bill is not as restrictive and only requires that the vehicle be multiple-occupancy, which could mean any passenger vehicle.

### **Other Legislation**

**HB 1160** grants income and insurance premium tax credit to employers in an amount equal to 50% of the eligible commuting expenses they pay to their employees. 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 shall 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.

cc : Secretary of Finance

Date: 01/14/2006 PTR  
HB219F161.doc