

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Employee Transportation Benefits

March 31, 2014

Department of Revenue

Analysis of S.F. 2254 (Kent) As Proposed to be Amended (SCS2254A-2)

	Yes	No
DOR Administrative Costs/Savings	X	

Fund Impact

	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
		(000's)		
General Fund	\$0	(Negligible)	(Negligible)	(Negligible)

Effective beginning with tax year 2014.

EXPLANATION OF THE BILL

Current Law: Certain employer-provided transportation benefits are excluded from an employee's income. The exclusion applies to parking, transit passes, and transportation in a commuter vehicle. The exclusion is limited to \$175 per month for parking and \$100 per month for transit passes and transportation in a commuter vehicle. These amounts are indexed for inflation and for tax year 2014 are \$250 and \$130, respectively. If the amount of employer-provided benefits exceeds these limits, the excess is included in the employee's income.

In 2009 federal law was changed to make the limit for transit passes and commuter vehicle transportation equal to that for parking for tax years 2009 and 2010. The provision was extended to tax years 2011, 2012, and 2013. Minnesota conformed to the federal change for all years.

Proposed Law: The bill would provide a subtraction for the amount of employer-provided benefits for a transit pass or for commuter vehicle transportation to the extent included in federal income. In determining the amount subtracted, the maximum dollar amount for employer-provided parking must be used, adjusted for inflation.

REVENUE ANALYSIS DETAIL

- If the higher limit for transit passes and commuter vehicle transportation is not extended federally, the bill would provide a subtraction to the extent that the amount of the employer-provided benefit was more than the federal limit, which is \$130 per month for tax year 2014.
- It is expected that the affected benefits for most employees would not exceed the maximum. For example, all of the published prices for 31-day passes for Metro Transit are currently less than \$130 per month, and the cost to the employer may be less than the published price. In cases where the benefit is more than the limit, only the amount over \$130 per month would be subtracted. Therefore, the impact is expected to be under \$5,000, or negligible.
- The bill would have no effect for years in which the federal limit is increased and Minnesota updates its reference to the Internal Revenue Code.

Source: Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx