COMPARISON OF TRANSPORTATION FRINGE BENEFITS WITH FLEXIBLE SPENDING ACCOUNTS

While TFB and FSA programs operate similarly, they are not covered by the same IRS regulations, and cannot be administered the same way. Below is a basic comparison of these two types of programs*:

Transportation Fringe Benefit (TFB)

- IRS Code 132(f)
- Requires *no* plan
- Funds *can be carried into next calendar year*
- Can be funded with employee pre-tax dollars, as an employer-paid benefit (tax-free subsidy), or a combination of the two
- *Limit of $265/monthly or $3180 annually* (for transit and parking)
- Should be used only by employee
- Can be implemented any time during the year

- TFB funds must be kept separate from FSA funds
- Usually implemented via a voucher or prepaid card program; sometimes transit passes can be purchased directly
- Vouchers can *only* be used at authorized transit agency sales outlets–built-in (self) substantiation (Cash reimbursement is permitted under very limited circumstances)
- Prepaid cards can *only* be used at transit agency sales outlets and authorized fare vending machines—specific Product IDs, Merchant IDs and Terminal IDs can ensure compliance

Flexible Spending Account (FSA)

- IRS Code 125
- Requires annual plan
- "Use It or Lose It" (cannot carry over)
- Must use employee pre-tax dollars to fund
- Limit of $2700 annually (2019) for Healthcare FSAs
- Can be used for employee and/or family members
- Can usually only be implemented once, and at a specific time, each year

- FSA funds cannot be used for Transportation Fringe Benefit expenses
- FSAs are frequently administered via prepaid cards or reimbursement by check – most require substantiation
- Usually programmed with Merchant IDs and (some) Product IDs to ensure compliance
- FSA prepaid cards generally do not have separate "purses" for transit or parking expenses–cannot ensure compliance with 132(f) regulations

WHY TFB OVER FSA?

A Transportation Fringe Benefit administered by a specialized company or third-party benefits administrator will likely be compliant specifically with 132(f) regulations. If a benefit company suggests a 125 plan for transit, they may not understand the differences in the regulations; therefore, that company's product is not likely to be compliant with the IRS and employees could be offered an inferior product.

WHY RideECO?

RideECO has been administered by the Delaware Valley Regional Planning Commission (DVRPC) for over 25 years, and is the only *local* and *non-profit* benefit program in the greater Philadelphia region. Our staff knows the area, its transit network and the business environment here. Our fees are competitive and we offer two well-designed programs to make administration easiest for each client. RideECO-branded vouchers and stored value cards provide safe self-substantiation (no tracking or receipts necessary) and are fully compliant with IRS regulations. For more information on our program, go to **www.RideECO.org**.

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*Please note, this document is not meant to constitute tax or legal advice. Please contact a licensed professional with questions.