Pre-tax Transit Pass

Section: Fringe Benefits  Number: 66.500
Title: Pre-tax Transit Pass

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POLICY

.100 POLICY STATEMENT

Under current federal tax laws, this policy establishes a Pre-Tax Transit Pass Plan (Plan) which enables eligible employees who pay for transit passes by payroll deduction to do so on a pre-tax basis. Pre-tax deductions reduce the amount of taxable income, which reduces the amount of federal and state income taxes and FICA withholding, thus increasing the employee's net take home pay. Tax savings vary, depending primarily on the cost of the transit pass and the employee's effective tax rate.

This policy supercedes FASOM Section 10.93: Compensation -- Fringe Benefits -- Pre-tax Transit Pass. No substantive changes were made to the content of this policy.
.110 POLICY RATIONALE

OUS seeks to provide a pre-tax transit pass plan to eligible employees. OUS seeks to ensure that the policies and procedures related to pre-tax transit passes are documented, communicated, clearly understood, and consistently applied.

.120 AUTHORITY

- ORS 351.085 - Duties and Powers of Chancellor
- ORS 352.002 - Oregon University System
- Internal Revenue Code § 132

.130 APPROVAL AND EFFECTIVE DATE OF POLICY

Approved by the Board of Higher Education on July 19, 2002. The effective date of the policy is August 1, 2002.

Reformatted in the Fiscal Policy Manual (FPM) format and approved by the Associate Vice Chancellor for Finance and Administration/Controller on July 7, 2010. No substantive changes were made to the content of this policy.

.140 KNOWLEDGE OF THIS POLICY

All Chancellor's Office and institutional personnel with payroll, human resources, transportation, and related responsibilities should be knowledgeable of this policy.

.150 DEFINITIONS

The terms used in this policy shall have the meanings set forth below unless the context in which they are used clearly indicates that some other meaning is intended.

Compensation means wages or salary paid to an employee by OUS.

Effective Date means within 60 days following approval of the Plan by the Board of Higher Education.

Election refers to the voluntary choice an eligible employee makes as to whether or not to participate in the Plan.

Eligible Employee means all regular employees. Student employees and temporary employees are not considered "eligible employees."

Employer means the Oregon University System.
**Transit Pass** means any pass, token, farecard, voucher, or similar item that entitles the employee to transportation (or transportation at a reduced price), provided by or in cooperation with a mass transit district.

**Open Enrollment** An open enrollment period is held once every year to allow eligible employees to change their participation in the Plan. To accommodate differing administrative schedules, each institution will establish the interval of the open enrollment period on their campus.

**Opt-out** means that an eligible employee voluntarily elects not to participate in the pre-tax Plan. The employee opts out by signing a waiver form. By opting out, any transit pass costs will be deducted from his or her pay after applicable federal and state income taxes and FICA withholdings have been withheld.

**Plan Year** means the fiscal year, July 1, through June 30.

**.160 RESPONSIBILITIES**

The Vice Chancellor for Finance and Administration, or designee, shall have oversight responsibility for systemwide provisions of the Plan. Each university Vice President for Finance and Administration, or designee, shall have oversight responsibility for institutional provisions of the Plan.

**.170 POLICY PROVISIONS**

Policy provisions consist of the following:

**Eligibility:** All regular employees are eligible to participate in the Plan. Temporary employees and student employees are ineligible.

**Enrollment:** Participation in the Plan is optional. Once each plan year, an employee may change his or her election for future transit pass deductions. Enrollment during an open enrollment period will be made by default on a pre-tax basis unless a waiver form is signed by the employee indicating that he or she has chosen to opt-out of the Plan. If an employee chooses to opt-out, transit pass deductions will be made on an after-tax basis. Employees who enroll after the open enrollment period has ended will not be eligible for the pre-tax transit pass option; for these employees, transit pass deductions will be made on an after-tax basis.

**Reporting to Participants in the Plan:** For each employee who participates in the Plan, OUS will account for and report on the employee's earnings statement the current pay period amount and calendar year-to-date amounts that have been deducted on a pre-tax basis from the employee's compensation.

**Pre-Tax Benefit:** As a pre-tax benefit, the cost of the employee's transit pass (up to the Internal Revenue Service established limit) will be deducted from gross pay before the
calculations for federal and state income taxes and FICA withholdings. Future tax treatment of this benefit is subject to ongoing changes in federal and state tax governing provisions.

**Termination of Pre-Tax Participation:** Once each Plan year, an employee may change his or her tax election for future transit pass deductions. An employee may discontinue participation in the pre-tax Plan at any time by giving written notification. Participation will cease on the first pay period following receipt of the notification by the university payroll office and future payroll deductions will be taken on an after-tax basis.

**Termination of Employment:** Participation in the Plan will end upon termination of employment. Institutional policies apply with regard to refunds; any refunds made will be considered a taxable event to the employee since the original purchase was made on a pre-tax basis.

.690 CONTACT INFORMATION

Direct questions about this policy to the following offices:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>General questions from institutional personnel</td>
<td>Campus Vice President for Finance and Administration (or designee)</td>
</tr>
<tr>
<td>General questions from institutional central administration and Chancellor's Office personnel</td>
<td>Chancellor's Office - Controller's Division</td>
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</tbody>
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.695 HISTORY

07/19/2002 - Approved by Board of Higher Education for FASOM

07/07/2010 - Reformatted

Policy Last Updated: 07/07/10

APPENDIX

None