



For immediate release

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IRS TO INCREASE TRANSIT BENEFITS TO \$230 IN MARCH *Pres. Obama's new stimulus package nearly doubles commuters' transit savings*

CHICAGO – The transportation fringe benefit will increase from \$120 to \$230 beginning March 1, 2009 as part of President Barack Obama's Economic Stimulus Bill signed into law this week. Commuters and their employers will now see a substantial increase in pre-tax income used to pay for transit.

“This should provide some financial relief for transit riders across the northeastern region,” said Steve Schlickman, executive director, RTA. “As we continue to face a faltering economy, the additional allowance increase should relieve some financial pressures and frustrations commuters continue to experience.”

A change in the transit benefit policy allows the Internal Revenue Service (IRS) to increase the amount of pre-tax income that employees can use and/or businesses can provide as a fringe benefit to cover the cost of public transit or vanpools up to \$230 a month or annual savings of \$2,760. Currently, the maximum amount is \$120 a month (\$1,440 annually).

Employers can offer their employees who commute a tax savings benefit when they enroll in the RTA/CTA Transit Benefit Fare Program. This program enables employers to use pre-tax dollars to purchase either CTA fare cards or RTA FareChecks which are then distributed to employees to cover the cost of their monthly commute. CTA fare cards can be used to pay for fares on both the CTA and Pace while RTA FareChecks are vouchers that can be redeemed to purchase fare media on the CTA, Metra, Pace, the South Shore Line, vanpool and on certain Amtrak routes.

Under IRS regulations, transit benefits can be provided by an employer either in addition to, or in lieu of, current compensation. These benefits are not, however, allowed to be part of cafeteria plans or flexible spending accounts. Commuter benefits can be used as follows:

1. Beginning in March, employers may give their employees up to \$230 a month to commute to work by mass transit or eligible vanpools. The employer pays for the benefit and gets a tax deduction. Employees get the benefit amount tax-free.

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2. Employers may allow their employees to use their pre-tax income to pay for transit or vanpooling. Employers do not pay for the benefit but allow employees to take advantage of the tax savings from using their gross income to pay for qualified commuting expenses. Employees who take the maximum transit benefit can save nearly \$800 in federal income taxes, and an additional \$300 in Social Security and Illinois state taxes that they would otherwise pay. Employers see a reduction in their payroll costs on the amount set aside since they do not pay taxes on this amount.

3. Employers may share the cost of commuting with their employees. Employers give their employees some amount of the qualified commuting expenses tax-free and let the employees set aside their gross income to pay the remaining amount up to the federal monthly limit of \$230 a month.

For more information on the RTA/CTA Transit Benefit Fare Program, call 1-800-531-2828 (Accor Services) or log on to www.rtachicago.com.

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About the RTA: The RTA provides financial oversight, funding and regional planning for the three public transit operators in Northeastern Illinois: The Chicago Transit Authority (CTA) bus and train, Metra commuter rail and Pace suburban bus and paratransit. For more information, visit www.rtachicago.com and www.MovingBeyondCongestion.org.