

Making Your System Transit Benefit Friendly

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2011 Fare Collection Workshop

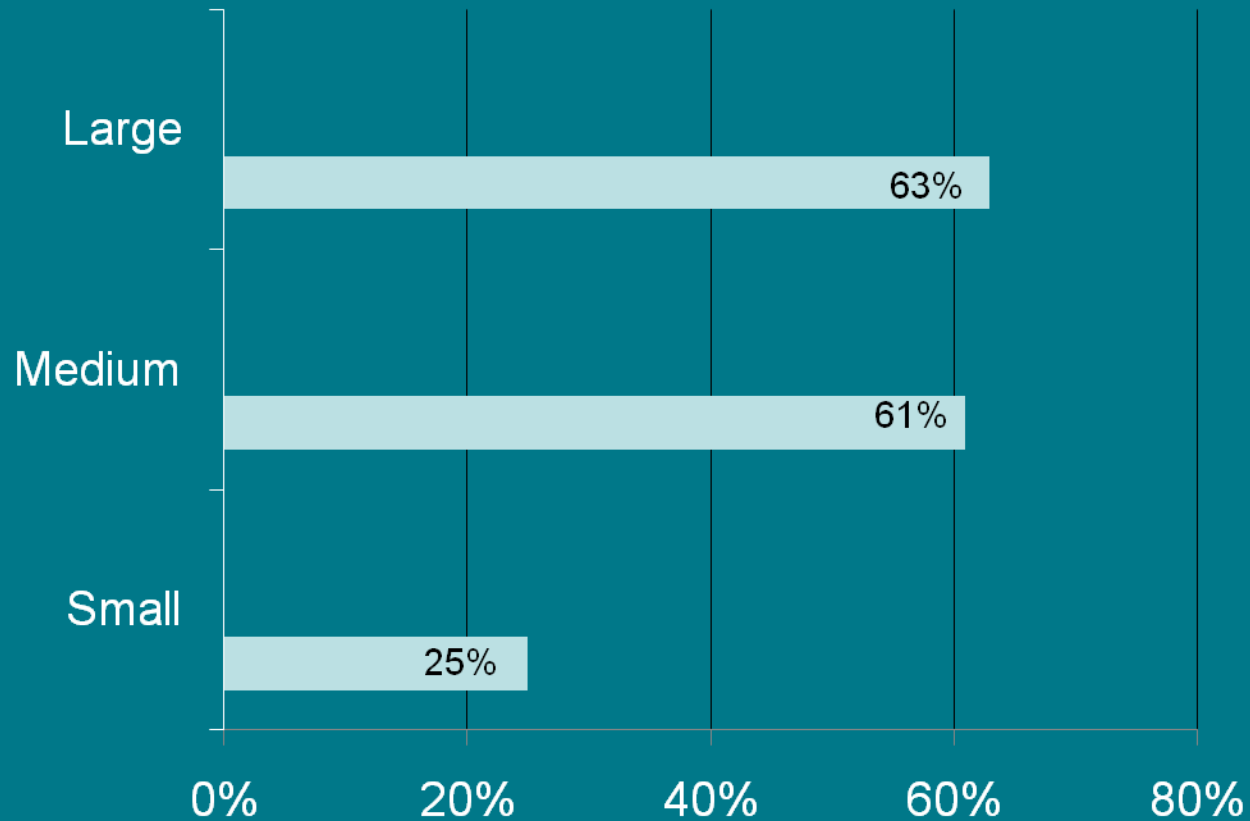
TransitCenter Overview

- Nonprofit organization
- Mission is to encourage greater use of mass transit
- Pioneer and a leading national provider of tax-free commuter benefits

Section 132(f)

- Up to \$230/month for transit
 - ✓ Pass, token, fare card, voucher or similar item
- Up to \$230/month for “qualified parking”
 - ✓ Parking at or near business premises of employer
 - ✓ Parking on or near a location from which the employee commutes to work by mass transit
- Can be either a pre-tax deduction, a fringe benefit, or combination
- Transit and parking funds cannot be commingled

Companies in CBDs Offering Transit Benefits



Why The Transit Benefit Is Important

- As the pre-tax cap increases, the benefit becomes more relevant
- Has become a staple in employee benefits packages
- In some cases, municipalities have mandated that transit benefits be offered
- As fares increase, the transit benefit helps offset that increase

Transit Benefit Products

- Paper Vouchers
 - ✓ Ticket windows, retail merchants
- Debit Card
 - ✓ Ticket vending machines, ticket windows, online
- Direct Crediting
 - ✓ Funds loaded onto commuter's account or operator's smart card
- Passes

Debit Cards/Smart Cards & Transit Benefits

Revenue Ruling 2006-57

- Provides guidance on the use of debit cards and smart cards to provide transit benefits under 132(f)
- Must be terminal restricted
 - ✓ Smart card that is usable only as fare media for a particular transit system
 - ✓ Debit cards that are restricted for use only at merchant terminals at point of sales at which only fare media is sold

Closed Loop vs. Open Loop

Closed Loop

- Only used at a single or defined set of merchants.
 - ✓ Clipper – San Francisco area transit operators
 - ✓ SmarTrip – Washington, DC
 - ✓ Breeze – Atlanta

Open Loop

- Can be used at any merchant accepting that card's payment brand
 - ✓ UTA – Salt Lake City

Closed Loop & Transit Benefits

Employee needs to obtain an operator issued smart card. Funds are loaded using:

- Transit Benefit debit card – employee uses to purchase and add funds on smart card (MBTA, WMATA, CTA)
- Vouchers – employee uses at ticket locations to add funds to smart card
- Direct crediting – Transit benefit provider loads benefit directly to employee's smart card (Clipper)

Open Loop & Transit Benefits

- Debit card is used as the actual pass. Employee does not need an additional card from transit operator
- Use as either a pay-as-you-go or an unlimited ride pass
- Employee registers card with transit operator to purchase time-based pass or discounted fare
- May also be used as a traditional “swipe” card at ticket vending machines

TransitCenter's Participation in MTA NYC Open Fare Payment Pilot

- Six month pilot which ended December 1, 2010
- Included MTA NYC Transit, PATH, and NJ Transit
- TransitCenter was asked to participate
- Upgraded TransitChek QuickPay Card, a terminal restricted transit benefit debit card, to a contactless debit card

Key Findings for TransitCenter

- Ease of use in entering the transit system
- Liked not having to buy a separate transit pass
- Entry into transit system was quicker

Summary & Conclusions

- Use of transit benefits has been increasing and has become a staple benefit offered by employers
- To ensure IRS compliance with 132(f), transit payments and parking payments must be segregated
- Transit operators should ensure that their fare collection system is transit benefit friendly and compliant with IRS regulations

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