March 13, 2016

TAX ISSUES: PERMANENT PARITY FOR COMMUTER BENEFIT; ALTERNATIVE FUELS TAX CREDIT EXTENSION; TAX EXEMPTION FOR MUNICIPAL BONDS

In the final legislative days of 2015, Congress passed and the President signed the Protecting Americans from Tax Hikes Act of 2015 (PATH Act). The Act extended many tax provisions, some of them temporarily and others permanently.

Significantly, the legislation provides permanent parity between the transit commuter benefit and qualified parking benefits. APTA has long advocated for this position, and we thank Congress for this historic agreement. The bill effectively raised the amount employers can offer to their employees either as a tax-free fringe benefit or as a pre-tax option to pay for their transit commute to and from work. The provision increases transit commuter tax benefits from the 2015 level of $130 to $255 in 2016. The tax benefit continues to be subject to cost-of-living adjustments, adjusting annually to keep up with inflation.

The PATH Act also extends through FY 2016 (and retroactive for 2015) the Alternative Fuels Tax Credit and the Alternative Fuels Property (infrastructure) Credit. Small, medium, and large-sized transit agencies across the country benefit from these tax credits, especially, the $0.50 per gasoline gallon equivalent (GGE) tax credit offered to transit agencies fueling their vehicles with compressed (CNG) or liquefied (LNG) natural gas. APTA also supports the inclusion of electric and hybrid electric vehicles within the eligible uses of these tax credits.

Separate from the tax extender discussion, but related, comprehensive tax reform continues to be discussed in Congress. It is unlikely that a major tax reform bill will be passed in this election year, but it is important to advocate for preservation of the current federal tax exemptions for interest earned on municipal bonds. These bonds have long been a cost-effective means for state and local governments to finance infrastructure projects, as government issuers are able to pay lower interest rates than if they issued taxable debt.

APTA POSITION

- APTA thanks Congress for restoring permanent parity between the transit benefit and the parking benefit for constituents who use transit.
- APTA urges Congress to permanently extend tax credits for alternative fuels and related infrastructure. These credits promote natural gas transit fleets, reducing dependence on imported fuel and expanding the affordability and diversity of agency fueling options.
- Congress should also expand the alternative fuels tax credits to include electric and hybrid electric vehicles.
- APTA urges Congress to fully preserve the long-established federal law that ensures interest earned on municipal bonds is exempt from federal taxation.