

## PHILADELPHIA COMMUTER BENEFITS ORDINANCE

### WHAT YOU NEED TO KNOW:

On June 22, 2022, Philadelphia Mayor Jim Kenney signed the Employee Commuter Transit Benefits Ordinance into law which requires employers with 50 or more employees to offer eligible employees a commuter transit benefit program. This law becomes effective on December 31, 2022. “Covered Employees” are those who have worked, on average, at least 30 hours per week within the boundaries of Philadelphia with the same employer for the previous 12-month period.

Employers must offer one of the following types of commuter transit benefit programs:

1. Employee elected pre-tax, payroll deduction for mass transit expense or qualified bicycle expenses, which includes fare for mass transit or transportation in a commuter highway vehicle; or
2. An employer-paid benefit, which covers the fare for mass transit or transportation in a commuter highway vehicle; or
3. Any combination of the two.

The Internal Revenue Code allows a limit of \$280 per month (2022 calendar year) for commuter transit (pass, tokens, fare card, or commuter highway vehicle).

In addition, employers are also required to offer employees who regularly use a bicycle for commuting to and from work, an alternative tax-free reimbursement for Qualified Bicycle Expenses. The monthly limit for bicycle expenses is \$20 per month. For years 2023 through 2025, cyclists are not permitted to exclude qualified bicycle reimbursements from their income for federal income tax purposes.

Employers should consider establishing a Transportation Fringe Benefit plan prior to December 31, 2022. The Ordinance includes potential penalties for employers who fail to comply with this new law. Since the new law requires employers to “offer” a pre-tax transportation fringe benefit, it is possible that all applicable employers should have a Plan Document and Summary Plan Description prepared. Please note that for-profit employers may have federal tax income considerations when implementing this type of plan.