



EXPERT UPDATE



Retroactive Increase in Excludible Transit Benefits



HENDERSON
BROTHERS

Retroactive Increase in Excludible Transit Benefits

The 2012 Taxpayer Relief Act extended parity between transit passes and vanpooling transportation fringe benefits, and employer-provided parking benefits, retroactively beginning on January 1, 2012 and extending through December 31, 2013. As a result, the monthly exclusion limitation for employer-provided transit and vanpooling benefits has increased from \$125 to \$240 for calendar year 2012 and 2013.

The IRS has provided guidance in Notice 2013-8 on how employers can address the 2012 Taxpayer Relief Act's retroactive increase in the employer-provided transit and vanpooling benefits. The Notice illustrates how the increase applies for 2012 and it also provides direction on an administrative procedure employers can follow to address the changes in the excludable amount for transit and vanpooling benefits. Form 941 can be filed to report the excludable amount for transit benefits provided in all quarters of 2012. Employers who have already filed their Form 941 can use Form 941-X to make an adjustment or claim a refund for each quarter in 2012 with respect to the overpayment of tax.

Employers who wish to use the special administrative procedure must repay or reimburse their employees the over-collected FICA tax on the excess transit benefits for all four quarters of 2012. This must be done on or before filing the fourth quarter

Form 941. Employers may reduce the fourth quarter Wages, tips and compensation reported on Line 2, Taxable social security wages reported on Line 5a, and Medicare wages and tips reported on Line 5c, by the excess transit benefits for all quarters of 2012.

Please read the IRS Notice for more details on this process. They can be found at this address: <http://www.hendersonbrothers.com/retroactive-increase-in-excludible-transit-benefits>

Contributor:

Shari Herrle
Henderson Brothers, Inc.
Director of Compliance

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