

CASH OUT PARKING

If you are currently offering fully subsidized or free parking to your employees, here is an option for you. Employers can establish parking cash out programs where employees may choose to cash out the value of an employer-provided parking space, forego parking, and receive the taxable cash value of the parking or a tax-free transit/vanpool benefit. The employer transfers its expenditure for the parking space, assuming it is leased, to a payment to the employee. If the employee chooses the cash value instead of the transit/vanpool benefit, that amount will be treated as salary. The employee would pay income and payroll taxes on the new amount.

If the value exceeds \$100 on the parking space, then the employee could accept the transit/vanpool benefit and receive the balance in taxable salary. The employer only incurs payroll taxes on the cash value provided. This additional compensation gives employees the option of financing other modes of transit not funded under the program such as walking, bicycling, carpooling, roller blading, or other means of commuting to work.

For example, a company provides employees parking at \$55 a month. The company changes its parking policy to allow employees to choose from the following options: keep the parking spot worth \$55 a month, give up the parking spot and receive \$55 extra each month in salary, or get a \$55 reimbursement for transit or vanpool expenses.

Senniger Powers, a local law office in St. Louis, offers a \$90 per month per employee transportation allowance which puts alternative modes on equal footing with driving alone. Those who choose a transit pass at \$68/month can pocket the remaining \$22, thereby increasing disposable income.

