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Transportation Fringe Benefit Update!

Dear Client:

On December 18th, 2015 President Obama signed legislation (**H.R. 2029**) which increased the pre-tax transit benefit from \$130.00 to \$250.00 retroactive to 1/1/2015. The transit benefit increases to \$255 a month in 2016.

The IRS has not released any guidance yet on how the adjustment should be handled. However, history would suggest the IRS uses the same corrective method as in the past which would encourage you to make the adjustment before year-end 2015 in order to avoid amendments in the near future.



Adjusting 2015 Taxable Wages

Taking advantage of the increased limit does not relieve employers from their qualified expense substantiation requirements.

If your employees have qualified transit expenses in excess of the previous limit of \$130/month, you may consider adjusting the 2015 tax year.

Adjustments PRIOR to Filing 2015:

If you wish to make adjustments to the 2015 tax year prior to filing your year-end returns and forms W-2, please contact support@hsimon.com . We will require a data file containing Social Security Number and adjustment amounts to process. Standard processing charges will apply.

Determining the Taxable Benefit

The taxable benefit received by a adjusting will vary depending on whether or not the employee has reached the taxable wage limit for Social Security wages. However, the general calculations are below. Additionally, you may view the taxable wages for an employee on the Pay History tab.

Employer Savings:

The employer would save Medicare (1.45%) tax, and Social Security Tax (6.2%) assuming the employee had not reached the wage limit.

TAXABLE WAGES *(.0145+.062) = Employer Tax Savings

Employee Savings:

The employee would save Medicare (1.45%) tax, Social Security Tax (6.2%) assuming the employee had not reached the wage limit, and also receive State and Federal benefits.

TAXABLE WAGES *(.0145 +.062) + State/Federal Savings = Employee Tax Savings

Thank You and Happy Holidays!