

Comparisons of Sections 125 & 132(f)

Under Section 132(f) of the Internal Revenue Code, an employer can provide up to \$230 per month to those employees who commute by public transit.

Pre-tax benefit programs are treated under two sections of tax law:

- 132(f): transportation
 - 125: healthcare and other cafeteria plans
- Section 132(f) is simpler, easier to administer (fewer rules, documentation and forms) and more flexible allowing employee enrollment as often as monthly
 - 132(f) and 125 funds cannot be combined or co-mingled

	Section 132(f) Transportation	Section 125 Health Care
Purpose	Allows employees to reserve pre-tax income for qualified transportation (public transportation)	Allows employees to reserve pre-tax income for benefit programs, generally health care
Enrollment Period	Determined by the employer	Must be annual
Distribution of Remaining Pre-tax Income	No “use-it-or-lose-it” provision. Funds do not generally accumulate as they are used monthly for fare media	Employee forfeits money (use-it-or-lose-it)
Employee Eligibility	May be available to any employee or group of employees	Must meet non-discrimination test
Reporting Requirements	No reporting requirements	Annual reporting required to the IRS
Written Plan	No written plan documentation required	Written plan documentation required to IRS

***Consult your tax professional for specific tax guidance.*