

Monthly Limit for Transit Passes and Transportation in a Commuter Highway Vehicle Provided by an Employer to Employees Under Section 132(f) of the Internal Revenue Code

Announcement 2000-78

This announcement sets forth a clarification to the proposed Treasury Regulations dealing with qualified transportation fringes (Prop. Treas. Reg. § 1.132-9, 65 F.R. 4388). Specifically, when finalized, the regulations will clarify that transit passes may be distributed in advance for more than one month (such as for a calendar quarter). The applicable statutory monthly limit under section 132(f)(2) on the combined amount of transit passes and transportation in a commuter highway vehicle may be calculated by taking into account the monthly limits for all months for which the transit passes are distributed. Thus, for example, the employer may distribute advance transit passes for a subsequent calendar quarter with a value equal to the statutory monthly limit times three months (for 2000, \$65 times three equals \$195). However, if transit passes are provided in advance and the employee's employment terminates before the beginning of the last month of the period for which the transit passes are provided, the value of transit passes covering the month(s) that begin after the employee's employment terminates is included in the employee's wages for income tax purposes and for employment tax purposes (income tax withholding, FICA and FUTA) to the extent the employer does not recover those transit passes or the value of those passes.

Pending issuance of the final regulations, taxpayers may rely on this announcement. An employer will not be considered to have failed to satisfy employment tax requirements under this announcement for advance transit pass distributions occurring before January 1, 2001.

Prior to issuing final regulations, the Service is requesting comments concerning this announcement. Written comments should be sent to the following address:

Internal Revenue Service
CC:DOM:CORP (ANN 2000-78;
CC:TEGE:EOEG:ET2)
P.O. Box 7604, Ben Franklin Station
Washington, DC 20044

In the alternative, comments may be hand delivered between the hours of 8:00 a.m. and 5:00 p.m. to the courier's desk at 1111 Constitution Avenue, NW., Washington, DC, or submitted electronically via the IRS Internet site at http://www.irs.utreas.gov/tax_regs/regslst.html.

Because the Service and Treasury would like to receive comments with sufficient time to consider them in developing the final regulations, comments should be submitted by November 15, 2000. However, to the extent possible, consideration will be given to comments received after that date.

The principal author of this announcement is John Richards of the Office of Associate Chief Counsel (Tax Exempt and

Government Entities). For further information regarding this announcement contact John Richards at (202) 622-6040 (not a toll-free call).