

Commuter Tax\$ave Program

State Employees who are Eligible for the State Health Benefits Program

The New Jersey State Employees Commuter Tax Savings Program (Commuter Tax\$ave), a benefit program authorized by Chapter 162, P.L. 2001 and available under Section 132(f) of the federal Internal Revenue Code, allows eligible employees to set aside before-tax dollars to pay for mass transit and commuter parking expenses, thereby avoiding federal taxes and saving money. An eligible employee is any employee of the State; a State college or university; the State Library; or the New Jersey Commerce and Economic Growth Commission, Palisades Interstate Park Commission, New Jersey Building Authority, or Waterfront Commission of New York Harbor who is eligible to participate in the State Health Benefits Program, except those part-time employees made eligible under Chapter 172, P.L. 2003. Commuter Tax\$ave consists of two separate component plans, and an eligible employee may elect to participate in any combination—both, one, or neither of the plans.

PROGRAM BENEFITS

The two components of Commuter Tax\$ave are for **mass transit expenses** and **commuter parking expenses**.

Below are examples of how Commuter Tax\$ave works for you:

Employee rides mass transit using pre-tax \$125 deduction per month

	Without Pre-tax Commuter Tax\$ave	With Pre-tax Commuter Tax\$ave
Monthly Salary	\$ 3,750	\$ 3,750
Pre-tax Commuter Tax\$ave for Mass Transit	\$ 0	-\$ 125
Salary Subject to Taxes	\$ 3,750	\$ 3,625
Estimated Taxes	-\$ 800	-\$ 762
Monthly Mass Transit Expense	-\$ 125	-\$ 0
Take-Home Pay	\$ 2,825	\$ 2,863
		Monthly Savings: \$ 38*
		Annual Savings: \$ 456*

(Additional examples listed on page 2.)

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Employee parks and then rides mass transit using pre-tax \$125 deduction per month for mass transit and pre-tax \$80 deduction for parking

	Without Pre-tax Commuter Tax\$ave	With Pre-tax Commuter Tax\$ave
Monthly Salary	\$ 3,750	\$ 3,750
Pre-tax Commuter Tax\$ave for Mass Transit	\$ 0	-\$ 125
Pre-tax Commuter Tax\$ave for Parking	\$ 0	-\$ 80
Salary Subject to Taxes	\$ 3,750	\$ 3,545
Estimated Taxes	-\$ 800	-\$ 737
Monthly Mass Transit Expense	-\$ 125	-\$ 0
Monthly Parking Expense	-\$ 80	-\$ 0
Take-Home Pay	\$ 2,745	\$ 2,808
		Monthly Savings: \$ 63*
		Annual Savings: \$ 756*

Employee uses pre-tax \$80 deduction per month for parking

	Without Pre-tax Commuter Tax\$ave	With Pre-tax Commuter Tax\$ave
Monthly Salary	\$ 3,750	\$ 3,750
Pre-tax Commuter Tax\$ave for Parking	\$ 0	-\$ 80
Salary Subject to Taxes	\$ 3,750	\$ 3,670
Estimated Taxes	-\$ 800	-\$ 775
Monthly Parking Expense	-\$ 80	-\$ 0
Take-Home Pay	\$ 2,870	\$ 2,895
		Monthly Savings: \$ 25*
		Annual Savings: \$ 300*

**Examples are based on an annual salary of \$45,000. Estimated Federal Taxes: 25%. Taxes exempted include: Federal Income, Social Security, and Medicare. Greater savings may result if your commuting costs are higher and/or you are in a higher federal income tax bracket. Lower deductibles may result in smaller savings and individual savings may vary. Consult your tax advisor.*

vouchers that can only be used to purchase mass transit tickets. Parking benefits can be delivered as a payment card, voucher, or as a reimbursement of expenses.

ENROLLMENT

Unlike the Section 125 portion of the State's Tax\$ave Program (Medical and/or Dependent Care Spending Accounts) that requires one annual election, the Commuter Tax\$ave Program allows an employee to opt in and out or change amounts on a monthly

basis. Eligible employees may enroll in the program or end participation at any time during the year and may change deductions as often as they like during the year. Once an employee has enrolled, the employee remains enrolled for all subsequent months at the same level of participation until the employee makes a change to the deduction amounts or elects to end participation.

Commuter Tax\$ave benefits are provided by TransitCenter, Inc., a public nonprofit corporation that administers the program under a contract with the State of New Jersey. An eligible employee enrolls

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by contacting TransitCenter directly. Enrollment can be done by calling Customer Service at 1-888-618-2435, or over the Internet at:

www.mycommutertaxsave.com

Upon enrollment, an employee's eligibility is confirmed with the employer who will arrange for payroll deductions to begin. Deductions for the benefit are taken from the first payroll check in the month. TransitCenter will then process tickets, payment cards, or vouchers and mail them directly to the employee.

The total time required for processing before the benefit begins is approximately 45 days. The schedule for enrollments/changes during a typical year is shown in the following chart:

ENROLLMENT PERIOD	BENEFIT PERIOD
February 1 - February 28	April
March 1 - March 31	May
April 1 - April 30	June
May 1 - May 31	July
June 1 - June 30	August
July 1 - July 31	September
August 1 - August 31	October
September 1 - September 30	November
October 1 - October 31	December
November 1 - November 30	January
December 1 - December 31	February
January 1 - January 31	March

Note that the monthly deduction for the Commuter Tax\$ave Program will generally be taken from the first paycheck each month; however, there may be times when the deduction will be taken from the second paycheck of the month.

“USE IT OR LOSE IT” PROVISION

Employee elections are irrevocable and, to avoid forfeiting benefit dollars, employees should carefully consider how much they want to set aside to cover their commuting expenses. The State is prohibited

under federal tax regulations from processing refunds to employees who fail to fully utilize the benefit in a timely manner.

For employees who elect to receive the QuickPay Card, it is important to realize that the stored value on the card is available for only as long as the employee remains an active participant of the program. If an employee cancels his or her participation in the program, **any remaining balance on the card when the cancellation becomes effective is forfeited.**

ADDITIONAL INFORMATION

Additional information about the Commuter Tax\$ave Program is available from TransitCenter, Inc. by calling 1-888-618-2435 or over the Internet at: *www.mycommutertaxsave.com*

SOCIAL SECURITY IMPLICATIONS

Since payments to the Commuter Tax\$ave Program lower annual earnings against which Social Security deductions are made, there is a concern that participation in these plans would result in reduced Social Security benefits at retirement.

If you were born after 1928, your Social Security benefits are calculated using a 35-year average of your earnings. A reduction of up to \$3,660 a year (the program's maximum) over some portion of this 35-year span would have little effect on your average salary and, therefore, minimal impact on your Social Security benefits. The Social Security Administration has provided us with an example of an employee who retired in 1998 at age 65 whose wages had been at the maximum wages subject to Social Security deductions. Upon retirement, this individual's monthly Social Security allowance was \$1,343. If that same person had been contributing \$2,000 a year for the last 10 years to Commuter Tax\$ave, the subsequent reduction in Social Security wages would have produced a monthly Social Security allowance of \$1,335, a difference of only \$8 per month.

This fact sheet has been produced and distributed by:

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