



IRS Provides Another Year to Comply With Guidance on Transportation Benefit Debit Cards

The IRS has again delayed the effective date of previously issued guidance on using smartcards, debit or credit cards, or other electronic media to provide qualified transportation fringe benefits under Section 132(f).

Background

Section 132(f) of the Internal Revenue Code excludes qualified transportation fringe benefits (i.e., transit passes, qualified parking, and transportation in a commuter highway vehicle between home and work) from an employee's gross income, subject to certain limits. An employer can provide these benefits directly by purchasing transit passes and distributing them to employees or indirectly by distributing vouchers that are accepted by mass transit operators as fare media or in exchange for fare media. Transit pass expenses can be reimbursed in cash only if a voucher or similar item that may be exchanged for a transit pass is not readily available for direct distribution to the employee.

In 2007, the IRS issued [Revenue Ruling 2006-57](#), which set out guidelines on when smartcards, debit or credit cards, or other electronic media used to provide transportation benefits to employees would be considered a voucher or similar item that could be exchanged for a transit pass. (See our December 14, 2006 [For Your Information](#).) The ruling's effective date was initially set for January 1, 2008, but was extended to January 1, 2010 because many mass transit providers were unable to modify their systems to comply with the IRS guidelines in time.

Notice 2009-95

The IRS has now issued [Notice 2009-95](#), which delays the effective date for compliance for one more year, or until January 1, 2011, to give transit systems additional time to make their technology compatible with the requirements for vouchers in Revenue Ruling 2006-57.

Conclusion

Buck's consultants are available to discuss the impact of this delay on your current programs or to assist you in establishing qualified transportation fringe benefit programs for your employees.

This FYI is intended to provide general information. It does not offer legal advice or purport to treat all the issues surrounding any one topic.