

**COMMONWEALTH OF PENNSYLVANIA
INTERNAL REVENUE CODE SECTION
132(f)**

**COMMUTER BENEFITS PROGRAM
DOCUMENT**

January 2025

Introduction

The Commonwealth of Pennsylvania maintains this Commuter Benefits Program for Qualified Transportation Expenses, which permits its Eligible Employees to set aside money on a pre-tax basis to pay for qualified work-related transportation expenses. This document sets forth the terms of the Commuter Benefits Program, effective as of January 1, 2025.

This Commuter Benefits Program is intended to qualify as a Qualified Transportation Fringe Benefit Program within the meaning of Section 132(f) of the Internal Revenue Code of 1986 (Code), 26 U.S.C. § 132(f), *as amended*, and any other pertinent laws or regulations, so that Participants may reduce their taxable income for Federal income tax and Federal Insurance Contributions Act (FICA) purposes and, to the extent permitted by law, for state and local income tax purposes. The provisions of this Commuter Benefits Program shall be interpreted in accordance with that intent.

The Commonwealth of Pennsylvania reserves the right to alter, amend, modify, or terminate the Commuter Benefits Program in whole or in part, at any time for any reason in a manner consistent with the provisions of Article VI. However, no amendment shall affect the rights of Participants with respect to reimbursement for Qualified Transportation Expenses incurred prior to the effective date of the amendment.

This document, as it may be duly amended, together with the materials incorporated by reference, shall constitute the Commuter Benefits Program ("Program") in its entirety.

Article I
Legal Status

1.01 **Legal Status**. It is the intention of the Commonwealth that the Commuter Benefits Program constitutes as a Qualified Transportation Fringe Benefit within the meaning of Code Section 132(f), 26 U.S.C. § 132(f), and that the Qualified Transportation Expenses covered within the Commuter Benefits Program be eligible for exclusion from a Participant's gross income pursuant to Code Section 132(a)(5), 26 U.S.C. § 132(a)(5), as a qualified transportation fringe.

Article II Definitions

- 2.01 "Benefit Administrator" means the third-party contractor designated to provide certain administrative services under the Commuter Benefits Program. If there is not a third-party contractor designated this is the Program Administrator.
- 2.02 "Code" means the Internal Revenue Code of 1986, 26 U.S.C. §§ 1-9834, *as amended*.
- 2.03 "Commuter Highway Vehicle" shall have the meaning as defined in Code Section 132(f)(5)(B), 26 U.S.C. § 132(f)(5)(B).
- 2.04 "Compensation Reduction Agreement" means the form provided by the Benefit Administrator for the purpose of allowing an Eligible Employee to participate in this Commuter Benefits Program by electing a Compensation Reduction Amount to pay for Qualified Transportation Expenses and authorizes the Employer to make Compensation Reduction Amount.
- 2.05 "Compensation Reduction Amount" means, for any Coverage Period, the biweekly amount of compensation which a Participant elects to forego for such Coverage Period as evidenced by a signed Compensation Reduction Agreement in accordance with Article III and which thereby is not included in a Participant's gross income for Federal income tax and FICA purposes and, to the extent permitted by law, for state and local income tax purposes.
- 2.06 "Coverage Period" means the calendar month(s) during which a Compensation Reduction Agreement is in effect and irrevocable.
- 2.07 "Effective Date" This Commonwealth of Pennsylvania Internal Revenue Code Section 132(f) Commuter Benefits Program Document shall be effective on January 1, 2025.
- 2.08 "Eligible Employee" means a Permanent Employee, as defined by the Program Administrator in Management Directive 530.11 Amended, *Benefits Eligibility of Permanent and Nonpermanent Employees*, of a Participating Agency who is eligible to participate in the Commuter Benefits Program.
- 2.09 "Employer" means the Commonwealth of Pennsylvania.
- 2.10 "FICA" means the Federal Insurance Contributions Act of 1935, 26 U.S.C. §§ 3101-3134, *as amended*.
- 2.11 "Participant" means any Eligible Employee who has satisfied the eligibility requirements of Section 3.01 herein and has completed and submitted a Compensation Reduction Agreement.
- 2.12 "Participating Agency" means an agency of the Commonwealth of Pennsylvania that is supported by Commonwealth's payroll system.
- 2.13 "Program Administrator" means the Office of Administration, Bureau of Employee Benefits. The Program Administrator may operate through the Benefit Administrator

as specified in any contract between the Benefit Administrator and the Program Administrator.

- 2.14 "Qualified Parking" shall have the meaning as defined in Code Section 132(f)(5)(C), 26 U.S.C. § 132(f)(5)(C).
- 2.15 "Qualified Transportation Expense" means expenses incurred by a Participant to use a Transit Pass or Qualified Parking, for purposes of transportation between a Participant's residence and place of employment.
- 2.16 "Reimbursement" means direct cash reimbursement of Qualified Transportation Expenses incurred by a Participant, indirect reimbursement of Qualified Transportation Expenses incurred by a Participant through a voucher, or direct payment to the provider of the Transit Pass, Qualified Parking, or Commuter Highway Vehicle.
- 2.17 "Transit Pass" shall have the meaning as defined in Code Section 132(f)(5)(A), 26 U.S.C. § 132(f)(5)(A).

Article III

Enrollment and Participation

3.01 **Eligibility.** Each Eligible Employee of a Participating Agency is eligible to participate in the Commuter Benefits Program no sooner than the first of the month following the month in which they became an Eligible Employee.

3.02 **Enrollment.**

- (a) An Eligible Employee may become a Participant by completing and submitting a Compensation Reduction Agreement approved by the Benefit Administrator.
- (b) A Compensation Reduction Agreement is effective the beginning of the first day of the pay period following the date the Compensation Reduction Agreement is submitted to and approved by the Benefit Administrator. Such Compensation Reduction Agreement will continue unless prospectively changed or revoked pursuant to Section 3.04 or Section 3.05 herein.
- (c) The Coverage Period can be no earlier than the 1st of the month following the first pay date in which the Compensation Reduction Amount was deducted from the Participant's pay.

3.03 **Accounts.**

- (a) The Benefit Administrator will create and maintain a bookkeeping account(s) on behalf of each Participant for one or both of the following types of expenses, to the extent elected by the Participant in accordance with Section 3.02 herein:
 1. Commuter Highway and Transit Fare Expenses; and/or
 2. Qualified Parking Expenses.
- (b) The account(s) will reflect the accumulated Compensation Reduction Amounts that have been deducted on a pre-tax basis from the Participant's compensation for each such type of expense, as set forth on the Compensation Reduction Agreement. The balance of the account(s) will be reduced by the amount of each Reimbursement made in accordance with the terms of this Commuter Benefits Program. Amounts allocated to one account per the Compensation Reduction Agreement can be transferred to the other account.
- (c) If the Participant's account(s) balance exceeds \$1,000, the Benefit Administrator will cease the Compensation Reduction Amount until the account(s) balance decreases to less than \$300.
- (d) In the event of a mistake as to the eligibility or participation of an Employee, or the allocations made to the account(s) of any Participant, or the amount of benefits paid or to be paid to a Participant or other person, the Program Administrator shall, to the extent it deems possible, cause to be allocated or cause to be withheld or accelerated, or otherwise make adjustment of, such amounts as it will in its judgement accord, to such Participant or other person, the credits to the account(s) or distributions to which he or she is properly entitled under the Program. Such action by the Program Administrator may

include withholding of any monies due to the Program or the Employer from compensation paid to the Participant.

3.04 **Election Changes.** A Participant may revoke or change a Compensation Reduction Agreement election at any time pursuant to procedures established by the Benefit Administrator. The Compensation Reduction Agreement cannot be effective prior to the beginning of the next pay period.

3.05 **Termination of Participation.** A Participant's participation in this Commuter Benefits Program shall terminate on the earliest of the following to occur:

- (a) The date the Program Administrator terminates the Commuter Benefits Program.
- (b) The date the Participant terminates employment.
- (c) The date the Participant becomes ineligible for the Commuter Benefits Program.
- (d) The end of the Coverage Period for which the Participant revoked his or her Compensation Reduction Agreement in accordance with Section 3.04 herein.
- (e) The first date of the Coverage Period that begins after 180 calendar days of a Participant not submitting any Reimbursement for Qualified Transportation Expenses.

3.06 **Substantiation of Expenses.**

- (a) For expenses that have been incurred and paid through the Commuter Benefits Program, the Benefit Administrator shall have final and binding authority to determine the appropriate documentation to substantiate an expense in accordance with Code Section 132(f), 26 U.S.C. § 132(f).
- (b) If the Participant fails to provide the appropriate documentation, the Participant will be required to repay the unsubstantiated Reimbursement, to the extent Reimbursement has already been provided.
- (c) If the Participant fails to repay the unsubstantiated Reimbursement, such monies will be held from the Participant's Compensation after all applicable taxes have been withheld or, alternatively, no further claims will be paid until the aggregate of all subsequent claims submitted for Reimbursement equals the unsubstantiated Reimbursement, at the discretion of the Program Administrator.

3.07 **Reimbursement of Expenses.**

- (a) For expenses that have been incurred and paid out-of-pocket by the Participant, the Benefit Administrator shall have final and binding authority to determine whether the expense and substantiating documentation can qualify as a Qualified Transportation Expense in accordance with Code Section 132(f), 26 U.S.C. § 132(f).
- (b) The Benefit Administrator shall have final and binding authority to determine the timeframe by which a Participant must submit a request for

Reimbursement, including required documentation for active Participants and for Participants who have been terminated from the Commuter Benefits Program as set forth in Section 3.05 herein.

- (c) A Participant may not receive Reimbursement for expenses incurred for the transportation of any other person, including but not limited to, spouses, dependents, or coworkers.

Article IV

Unused Monies

4.01 **Carry Over.** Any unused monies in a Participant's account(s) that have not been used for Qualified Transportation Expenses incurred prior to the end of any Coverage Period will be carried over to the subsequent Coverage Period.

4.02 **Unused Monies After Account(s) Termination.**

- (a) If the Commuter Benefits Program is terminated, the monies will be returned to the Participant on a post-tax basis.
- (b) If a Participant's participation in the Commuter Benefits Program is terminated under Section 3.05 (b) or (c) herein, the Participant shall have 60 calendar days to submit requests for Reimbursement of eligible expenses that were incurred prior to the date the Participant became ineligible. Requests for Reimbursement will be subject to approval by the Benefit Administrator in accordance with Code Section 132(f), 26 U.S.C. § 132(f). Any monies remaining in the account(s) after the 60 calendar days shall be forfeited in accordance with 4.03.
- (c) If a Participant's participation in the Commuter Benefits Program is terminated under Section 3.05 (d) or (e) herein, and is still an Eligible Employee as defined herein, may be permitted, to the extent set forth in the Commuter Benefits Program, to use monies remaining in their account(s) for Qualified Transportation Expenses incurred after the effective date of the revocation until:
 - 1. the Participant's account(s) balance is fully used; or
 - 2. the occurrence of any other event that would terminate participation in the Commuter Benefits Program as defined in Section 3.05 herein.

4.03 **Forfeiture.** For former Participants who have unused amounts in their accounts under Section 4.02 (b) and (c) herein, the monies will be forfeited to the Program Administrator. All monies will be used by the Program Administrator for the administration of the Commuter Benefits Program.

If the Program Administrator is unable to make payment to any Participant to whom a payment is due under the Commuter Benefits Program because it cannot ascertain the identity or whereabouts of such Participant or other person after reasonable efforts have been made to identify or locate such Participant or other person, then such payment and all subsequent payments otherwise due to such Participant or other person shall be forfeited following a reasonable time after the date any such payment became due.

Article V

Administration

5.01 Powers and Duties of the Program Administrator.

The Program Administrator shall have exclusive responsibility for, and all powers necessary or desirable to carry out, the administration of the Commuter Benefits Program and, without limitation on the foregoing, shall have complete discretionary power and authority to:

- (a) Adopt any rules and regulations it deems desirable for the conduct of its affairs and the administration of the Commuter Benefits Program;
- (b) Take any action it deems necessary or appropriate to comply with any requirements of applicable law with respect to notice and disclosure and the preparation and filing of reports and forms, if necessary;
- (c) Except as identified herein, construe and interpret the Commuter Benefits Program and make determinations, including factual determinations, under the provisions of the Commuter Benefits Program with respect to all rights, benefits, duties and entitlements, including but not limited to, eligibility for benefits, amounts of benefits payable, and all other matters pertaining to the operation and administration of the Program, all of which determinations are to be made in the Program Administrator's sole discretion;
- (d) Appoint, retain, contract, or employ persons or entities to assist in the administration of the Commuter Benefits Program (such as the Benefit Administrator);
- (e) Make any equitable adjustments to correct any error or omission discovered in the administration of the Commuter Benefits Program; and
- (f) Rely upon the direction, information or election of a Participant as being proper under the Commuter Benefits Program and shall not be responsible for any act or failure to act because of a direction or lack of direction by a Participant.
- (g) To the extent permitted by law, to rely conclusively on all tables, valuations, certificates, opinions, and reports that are furnished by accountants, attorneys, or other experts employed or engaged by the Benefits Administrator.

ARTICLE VI

Amendment And Termination

The Program Administrator may at any time: (1) amend the Commuter Benefits Program contained in this document in any manner it deems, in its sole discretion, to be appropriate; (2) terminate or limit the Commuter Benefits Program contained in this document; or (3) terminate or limit the participation in the Commuter Benefits Program by any Participating Agency, effective as of the date specified in the instrument of amendment or termination. Such amendments may be retroactive to the extent deemed appropriate by the Program Administrator and may be made in contemplation of, or with specific reference to, a particular transaction, job elimination, reduction in force, or similar event.

ARTICLE VII

MISCELLANEOUS

- 7.01 Right to Assets. Neither the establishment of the Commuter Benefits Program nor the payment of benefits under the Commuter Benefits Program shall be construed as giving any legal or equitable right to any Eligible Employee, former Eligible Employee, Participant, or former Participant against the Employer or its officers or employees except as expressly provided herein, and all rights under any Commuter Benefits Program shall be satisfied, if at all, only out of the general assets of the Employer.
- 7.02 No Inducement, Contract or Guarantee of Employment. The Commuter Benefits Program does not constitute inducement or consideration for the employment of any Eligible Employee or Participant, nor is it a contract between the Employer, Participating Agency and Eligible Employee or Participant. Participation in the Commuter Benefits Program shall not give any Participant any right to continued employment with the Employer or Participating Agency, and the Employer and Participating Agency retain the right to hire or discharge any Eligible Employee or Participant at any time, with or without cause, as if the Commuter Benefits Program had never been adopted, in accordance with applicable law and/or collective bargaining agreement.
- 7.03 Spendthrift. Except as permitted by law and this section, no assignment of any rights or benefits arising under the Commuter Benefits Program shall be permitted or recognized. The Employer shall not be liable for or subject to the debts, contracts, liabilities, or torts of any person entitled to benefits under this Commuter Benefits Program.
- 7.04 Conclusiveness of Records. The Participating Agency's records with respect to an Eligible Employee's or Participant's age, service, employment history, employment termination, compensation, absences, illnesses, and all other relevant matters shall be conclusive for purposes of the administration of the Commuter Benefits Program.
- 7.05 Payment of Administration Expenses. The Employer and, to the extent deemed appropriate by the Program Administrator, the Participating Agencies, shall pay all the expenses of administration of the Commuter Benefits Program and the expenses of the Program Administrator, and any other expenses incurred at the direction of the Program Administrator.
- 7.06 Governing Law. The Commuter Benefits Program shall be governed, construed, administered, and regulated in all respects under the rules and regulations of the Internal Revenue Code and the laws of the Commonwealth of Pennsylvania.
- 7.07 Right to Require Information and Reliance Thereon. The Program Administrator shall have the right to require Eligible Employees and/or Participants to provide the Program Administrator or its agents with such information, in writing, and in such form as it may deem necessary to the administration of the Commuter Benefits Program, and such parties may rely on that information in carrying out their duties hereunder.
- 7.08 Construction. One gender includes the other, and the singular and plural include each other when the meaning would be appropriate. The Commuter Benefits Program's headings and subheadings have been inserted for convenience of reference only and

must be ignored in any construction of the provisions. If a provision of this Commuter Benefits Program is illegal or invalid, that illegality or invalidity does not affect other provisions. Any term with an initial capital not expected by capitalization rules is a defined term according to Article II.

- 7.09 Notification of Employees. The Employer shall communicate in writing the terms and conditions of the Commuter Benefits Program to all Eligible Employees.
- 7.10 Taxability of Benefits. The Employer makes no guarantee as to the excludability of benefits under this Commuter Benefits Program from federal, state, or local taxes, and it shall be the Eligible Employee's or Participant's sole responsibility to pay any taxes due as a result of the payment of benefits hereunder.
- 7.11 Interest or Earnings. No interest or earnings of any type shall accrue, be credited to, or be payable on any amounts that are credited on the Participant's behalf under the Commuter Benefits Program.
- 7.12 Severability. In case any Commuter Benefits Program provisions shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions, and the Commuter Benefits Program shall be construed and enforced as if such illegal and invalid provisions had never been set forth in the Commuter Benefits Program.
- 7.13. Non-Assignability. No benefit under the Commuter Benefits Program may be voluntarily or involuntarily assigned or alienated and any attempt to do so shall be void and unenforceable.

Executed this 1st day of May, 2024.

Commonwealth of Pennsylvania



By: _____

Secretary of Governor's Office of
Administration



By: _____

Secretary of Governor's Office of
the Budget