

## EY Payroll NewsFlash Workforce Tax Services

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## Philadelphia requires employers provide transportation benefits starting in 2023

Effective December 31, 2022, a Philadelphia ordinance ([Bill No. 22033701](#)) requires employers with 50 or more covered employees to provide mass transit or bicycle commuter benefits to covered employees under its new Employee Commuter Transit Benefit Program.

Employers are required to make available at least one of the following benefit programs in amounts at least equal to the federal limits:

1. Election of pre-tax payroll deduction for mass transit expenses or qualified bicycle expenses
2. Employer-provided fare instrument
3. Any combination of (1) or (2)

### Definitions

- *Covered employer*: An individual, co-partnership, association, corporation any other entity, excluding government employers, that employ 50 or more covered employees for compensation
- *Covered employee*: Any person who performs an average of at least 30 hours of work per week, for compensation for the same employer within the previous 12 months within the geographic boundaries of Philadelphia
- *Commuter highway vehicle*: A vehicle as defined in IRC Section 132(f)(5)(B), as amended from time to time
- *Fare instrument*: Any pass, token, fare card or similar item entitling a person to transportation on public transit

- *Mass transit expense*: A fare instrument for transportation in a commuter highway vehicle if such transportation is in connection with travel between an employee's residence and workplace
- *Qualified bicycle expense*: The reasonable expenses incurred by a covered employee who regularly uses a bicycle for commuting to and from work, including the purchase, maintenance, repair and storage expenses related to bicycle commuting, as allowed under the IRC Section 132(f)(1)(D) and (f)(5)(F)

## Ernst & Young LLP insights

Philadelphia joins numerous cities, New Jersey and the District of Columbia in requiring that employers provide transportation benefits to their employees.

Most recently, the District of Columbia enacted an ordinance that, effective January 15, 2023, requires employers to offer employees clean-air transportation alternatives to parking benefits or pay a compliance fee. (See EY Tax Alert [2022-1787](#).) And, in March 2019, New Jersey Governor Phil Murphy [approved](#) legislation that requires employers of 20 or more employees to offer pretax transportation fringe benefits to employees. The legislation ([SB 1567](#)) took effect March 1, 2020.

**Contact us for more information**

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