

TIR 15-16: Massachusetts Exclusion Amounts for Employer-Provided Parking, Transit Pass and Commuter Highway Vehicle Benefits for Taxable Years Beginning in 2016

I. Introduction

This Technical Information Release (“TIR”) explains the Massachusetts personal income tax exclusions for employer-provided parking, transit pass and commuter highway vehicle benefits allowed to employees.

For taxable years beginning in 2016, the Massachusetts monthly exclusion amounts are \$255 for employer-provided parking and \$130 for combined transit pass and commuter highway vehicle transportation benefits, as further explained below.^[1] Under Massachusetts law, these numbers reflect an inflation adjustment but *do not* include the increase in the federal monthly exclusion amount for the combined transit pass and commuter highway vehicle transportation benefits that was signed into law on December 18, 2015.

II. Discussion

In general, for purposes of determining Massachusetts gross income, the Massachusetts personal income tax laws follow the provisions of the Internal Revenue Code (“IRC”) as amended and in effect on January 1, 2005. Accordingly, Massachusetts follows IRC § 132(f) as amended and in effect on January 1, 2005, which excludes from an employee’s gross income (subject to a monthly maximum) employer-provided parking, transit pass and commuter highway vehicle transportation benefits.^[2] IRC § 132(f)(6) provides for an inflation adjustment to those monthly maximums in the case of any taxable year beginning in a calendar year after 1999. Taking into account these inflation adjustments, the Massachusetts monthly exclusion amounts for taxable years beginning in 2016 are \$255 for employer-provided parking and \$130 for combined transit pass and commuter highway vehicle transportation benefits.^[3] The Massachusetts exclusion amounts do not include the increase in the federal exclusion amount for the combined transit pass and commuter highway vehicle transportation benefits that was signed into law on December 18, 2015.^[4] Massachusetts will not follow this amendment, or any future amendments, to IRC §132(f) unless the Massachusetts Legislature acts to adopt such changes.

/s/Mark E. Nunnelly

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^[1] Transit pass and commuter highway vehicle transportation benefits are combined for purposes of sharing the \$130 maximum monthly exclusion. For example, if an employee receives a \$100 monthly transit pass and a \$100 monthly commuter highway vehicle transportation benefit, the \$70 excess would be includable in the employee’s wages for income and employment tax purposes.

^[2] Massachusetts does not adopt the federal qualified bicycle commuting reimbursement. See IRC 132(f)(1)(D), effective for tax years beginning after December 31, 2008 and added by the federal Energy Improvement and Extension Act of 2008 (P.L. 110-343).

^[3] See IRS Revenue Procedure 2015-53.

^[4] See H.R. 2029 – 114th Congress (2015-2016): Consolidated Appropriations Act of 2016, Division Q, § 105.