



Public Works Department
Transportation Division

FAQs for City of Berkeley Commuter Benefit Program Ordinance B.M.C. 9.88 (TRACCC)

What does the City of Berkeley transit benefit ordinance do?

It requires all employers with **10 or more employees** either based in Berkeley, or with offices/outlets located here, to offer a commuter benefit program. This includes part-time employees working an average of 10 hours per week or more. The program can be *either*, **1)** a pre-tax plan that allows employees to exclude transit, vanpool, or bicycle expenses from taxable wages and compensation as allowed by federal tax law (this option saves employees income taxes, while saving employers payroll taxes), **2)** a transit subsidy equivalent to the value of an AC Transit regular (local) monthly pass, **or 3)** an employer-provided shuttle service.

What does TRACCC stand for?

Tax Relief Action to Cut Commuter Carbon (TRACCC). The name reflects the inherent tax savings involved in commuter benefit programs. Employers save payroll taxes and employees save Federal, State and FICA taxes.

How big a tax savings are we talking about?

Employers save on the employer share of FICA and SUI/SDI. These amounts total up to 9% of the money that the employee sets aside. Employees save all Federal, State, and FICA taxes, which equals up to 40% depending on their tax bracket.

Why does this ordinance have the support of the business community?

The business community understands that they need to show that they have a commitment to the environment. They also want to show support for a program that has cost savings built in through a reduction of payroll taxes--and not be another unfunded mandate. Employers do not pay the 9% payroll tax on all funds employees set aside through the pre-tax program. It also offers other perks like the potential to free up street parking for customers.

To quote the Berkeley Chamber of Commerce: "We are grateful that City staff has worked closely with Berkeley businesses to consider and craft this Ordinance. We feel that the TRACC Ordinance offers a rare opportunity to reduce taxes for both businesses and employees, encourages our employers to take advantage of transit, reduces air pollution, and shrinks our carbon footprint which we know is a major goal for the city and for its citizens as evidenced by the support for Measure G (Berkeley's Greenhouse Gas Initiative)."

How do I go about complying with the ordinance?

You can either choose to administer a commute program yourself or have a third party administrator do it for you.

OK, so I decide that I want to use a Third-Party Administrator (TPA), now what?

Here is a short list of the steps you need to find the best fit for your business.

1. **Find a vendor.** If you do not have someone that does other benefits for you, you can go to www.CityofBerkeley.info/Commute for a partial list of TPAs in the Bay Area.

Once you have selected the best fit for you, the following will likely occur:

2. **You sign an agreement with the TPA.** This outlines your responsibilities as well as theirs.
3. **The TPA generally will enroll your employees,** usually via a website, but also over the phone.
4. **The TPA will send you a payroll file once a month.** You either give this file to your payroll provider or, if you do your own payroll, you deduct elected amounts from payroll yourself.
5. **You then provide funds to the TPA** (typically wire transfer or equivalent).
6. **TPA mails vouchers/passes or debit cards to employees at their homes or workplace.** In the case of debit cards or TransLink cards, the value may be uploaded electronically.

I think I prefer doing the program myself, can I get more detail on how this is done?

The following are the steps from now until you have successfully set up your program:

1. **Identify tasks and assign staff:** You will need someone in payroll to make changes or interface with your payroll provider. You will need to assign someone to answer questions that employees may have, and you will need to have someone order the passes or vouchers every month or quarter.
2. **Inform eligible employees** (new employee info, poster, flyer, email).
3. **Enroll employees** (complete enrollment form with signature). Go to www.cityofberkeley.info/Commute for a sample announcement and enrollment.
4. **Have payroll set up a deduction code, or set up deduction in books.**
5. **Communicate enrollees and deductions to payroll and/or TPA.** This usually occurs once a month.
6. **Payroll makes deductions.**
7. **You then order the vouchers, or transit passes** (purchase order or check).
8. **Distribute debit cards, vouchers, or passes monthly** (usually with paychecks).

How is the enforcement handled?

It mainly is dependent on anonymous complaint calls from employees alerting the city through a hotline. This means that no funds need to be set aside to pay for tracking/follow up. If a complaint is lodged, a letter is generated to the employer that explains the program and provides the employer with the support options (website/hotline,/resource list) and a reminder of the penalties.

How long is the grace period before enforcement begins?

12 months; enforcement will begin in November 2010.

What else can employers do to encourage smart commute options?

Employers have the option to sign up for a free Alameda County Guaranteed Ride Home Program. Employees who use the bus, train, ferry, vanpool, carpool, bicycles, or walk to work on the day of an unexpected emergency can take a taxi or rental car, or other form of transportation home to deal with the crisis, and the program will reimburse them. For information on this program, visit <http://www.grh.accma.ca.gov/>

Employers can also take advantage of the resources offered by 511 Ridematching, an interactive, on-demand system that helps commuters find carpools, vanpools or bicycle partners. Just visit www.511.org for more information.