

TransLink® Direct Benefits Employer Overview

Want to do something good for you and your employees? Then TransLink Direct Benefits is the program for you!

The cost of commuting is at the top of most employees' job related concerns. As an employer, your willingness to address your employee's commuting needs will help you to keep existing employees and attract new employees.

Employees save as much as 40%¹ on the cost of commuting

TransLink Direct Benefits helps your employees save by allowing them to use pre-tax dollars to add transit passes and fares directly to a TransLink card.² Your employees won't have to wait for a voucher, a pass or tickets to arrive in the mail or to be distributed by you.

Employers save too

When employees contribute pre-tax dollars to an employee transit benefit account, those pre-tax dollars are not subject to employer matching FICA and Medicare, which means employers can reduce their payroll taxes by as much as \$18 per month for each employee.

- TransLink Direct Benefits is a new employee transit benefit program offered exclusively by TransLink and is a great way to enhance your benefits package without increasing overall compensation costs.
- The cost of providing transit benefits can be deducted as a business expense for the purpose of calculating corporate income taxes.
- TransLink Direct Benefits makes it easy for employers of all sizes to offer their employees a transit benefit program.
- Administrative tasks are all done online, and fares, tickets and passes are loaded directly onto each employee's TransLink card.

To sign up: Go to www.translink.org/directbenefits

¹ Up to the current federal limit of \$230 a month

² Employees can also choose to have post-tax dollars deducted from their paycheck and applied to their TransLink card at their employer's discretion.

How It Works

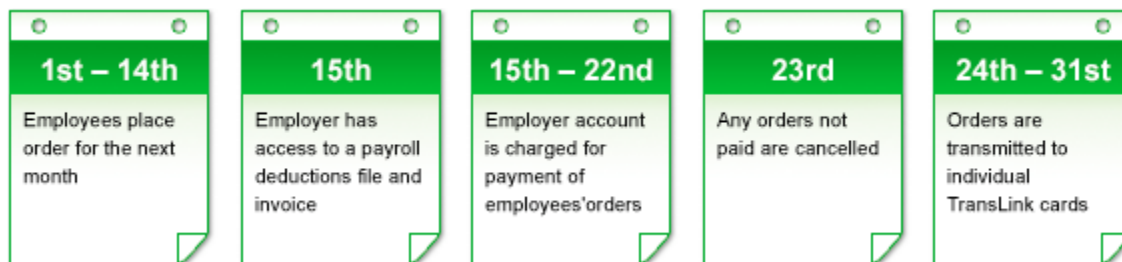
In order to offer your employees a pre-tax transit benefit, the program must be sponsored by the employer and the monies allocated to transit must be deducted from employee's paychecks or subsidized by the employer. Employees can apply payroll deductions up to the current federal limit of \$230 a month tax-free.

Once you've registered your company with TransLink Direct Benefits, simply provide us with basic employee information such as name and email address, and we'll send an invitation inviting them to register. We can also provide you with materials to promote the program to your employees.

Once invited, employees register and place an order. Orders can be for specific transit passes, for a cash amount ("e-cash") to be used on a per-ride basis, or both. Employees who already have TransLink cards can link their existing cards to their TransLink Direct Benefits account. Employees who do not have a TransLink card will receive one with their first month's order. Employees have until the monthly cutoff date to place, change or cancel their orders online. Passes and/or e-cash ordered will be automatically loaded onto their TransLink cards by the first of the following month. Your employees can also sign up for Autoload so their order is placed automatically for them every month. If their commuting needs change from month to month, they can place or change their order every month. That's it!

A typical monthly process might be the following:

After the monthly cutoff date, TransLink Direct Benefits will post an invoice and payroll deduction report to the employer's administrative account to facilitate payroll processing. Although the federal limit for pre-tax transit benefits is \$230, employees can order whatever they need to commute to work. Any orders over \$230 will display on the payroll deduction report as two deduction amounts: a pre-tax amount and a post-tax amount. For example, if an employee placed an order for a transit pass that costs \$300, the payroll deduction report would have a pre-tax deduction of \$230 and a post-tax deduction amount of \$70.



Paying for employees' transit orders is easy. An invoice will be posted on the employer's administrative account for review once a month after the cutoff date for employee orders. Payments are made through an ACH banking transaction or an employer credit card.

TransLink Direct Benefits FAQ for employers

How do employers use TransLink Direct Benefits?

TransLink Direct Benefits is a flexible employee transit benefit program that can be customized to any size of employer. Some employers may choose TransLink Direct Benefits to subsidize their employees' transit expenses or offer it solely as a pre-tax savings plan. Whatever your needs are, a member of our sales team would be happy to speak with you and design a program that will work for you.

Once your employer account is set up, you'll be able to do all the administration of TransLink Direct Benefits online, with customer service representatives standing by if you need assistance. Our website has a secure area for employers in which you can add employees, deactivate employees, and retrieve invoices and payroll deduction information.

How do employees use TransLink Direct Benefits?

Once your company is registered, we'll send your employees an email explaining the benefits of a transit flexible spending account and inviting them to register. Once they have signed up, your employees can link their existing TransLink card to their TransLink Direct Benefits account, place an order for a new TransLink card and either order e-cash or passes each month to be loaded onto their cards for the next (commuting) month, or set up an automatic order to be placed for them each month.

How are cards delivered?

TransLink Direct Benefits will send a TransLink card to employees who don't have one with their first month's order.

What are the relevant tax laws?

Section 132(f) of the internal revenue code permits an employer sponsored pre-tax commuter benefit. For 2009, the first \$230 of monies spent on transit passes or e-cash each month is pre-tax. Section 132(f) requires employees to make a forward monthly election so TransLink Direct Benefits sets an order deadline for each month. The statute also requires employers to have a payroll deduction for the benefit. For questions regarding Section 132(f), please contact your legal advisor.

What records do I need to keep?

Monies spent on pre-tax transit will automatically reduce the earnings displayed in box 1 of the employee's W-2. For questions about amounts spent on pre-tax transit, a report can be generated from your payroll system and a specific payroll deduction will have to be set up to process the deduction from employees' paychecks. There are no monthly, quarterly or annual reporting requirements required for employers offering a pre-tax transit benefit.

How much do employers and employees save?

Any monies spent on pre-tax transit purchases are monies employees do not pay Federal, State*, FICA and Medicare taxes on. This can be a savings of 40% or more on the first \$230 of transit expenses per month in 2009. Annually, an employee could save in excess of \$1,100 using TransLink Direct Benefits.

As an employer, you save because you do not have to pay matching FICA and Medicare on funds employees spend on pre-tax transit. For example, with FICA and Medicare currently at a combined rate of 7.65%, the employer saves \$7.65 on every \$100 in pre-tax transit purchases by employees.

*Some states may not recognize Section 132(F), and employees in these states would be subject to state taxes on monies spent in a pre-tax transit program.

Who can participate? Are any employers too big or too small to participate?

Employers of any size can register for TransLink Direct Benefits. Employees must be subject to federal income tax to participate and some individuals are not eligible to participate (e.g., sole proprietors, partners of an LLC and 5% or more owners of an S-Corporation).

Where can TransLink be used?

Currently, TransLink is accepted for travel on Muni, AC Transit, Golden Gate Transit & Ferry and Dumbarton Express. Caltrain and BART will soon be accepting TransLink as fare payment as well. Eventually, all 29 transit agencies in the nine-county San Francisco Bay Area will accept TransLink for fare payment.

How does the TransLink card work?

The TransLink card is a reloadable card that can be used to pay transit fares in the Bay Area instead of using cash or paper passes. The card keeps track of the value loaded on it and automatically deducts the correct fare (including transfers and discounts).

Whatever your employees are using now to pay for their transit fare (e.g., a monthly pass or cash) can be loaded onto the TransLink card. With one card, employees can transfer between different transit systems with the correct discount applied and without having to carry a paper transfer. To use the card, simply "tag" the card by placing it flat against the logo on the card reader. The card reader will show the amount being charged or that a valid pass or transfer has been found. It will also show the card's remaining balance or the expiration date of the pass. For more specific information on TransLink, please visit translink.org.