

# LEGAL UPDATE

## No Change in 2021 Limits for Qualified Transportation Benefits

The IRS has released [Revenue Procedure 2020-45](#), which includes cost-of-living adjustments for employee qualified transportation fringe benefits for the 2021 taxable year, along with annually adjusted numbers for 2021 for a number of other tax provisions. The combined monthly limit for transportation in a commuter highway vehicle and a transit pass remains unchanged from 2020 at **\$270**. The monthly limit in 2021 for qualified parking is also unchanged from 2020, also at **\$270**.

Internal Revenue Code Section 132(f) allows employers to offer a qualified transportation benefit program to their employees on a tax-free basis. Under this type of program, employees can choose to have money withheld from their taxable compensation to pay or reimburse work-related expenses for qualified parking, transit passes and transportation in certain commuter highway vehicles (e.g., qualifying van pools).

Section 132(f) establishes a maximum monthly amount of qualified transportation benefits that employees may exclude from their income, subject to cost-of-living adjustments, which are announced by the IRS before the beginning of each calendar year. Both employee pre-tax salary deferrals and employer-paid benefits, if any, count toward the maximum amount.

Beginning in 2018, the [Tax Cuts and Jobs Act of 2017](#) eliminated the employer tax deduction for qualified transportation benefits. The employer deduction is disallowed regardless of whether the benefits are paid directly by the employer, through a bona fide reimbursement arrangement or through a compensation reduction agreement.

Employers should communicate the monthly limits to their employees to help avoid benefit disputes.

### Highlights

- The 2021 monthly limit for transportation in a commuter highway vehicle and transit pass (combined) is \$270.
- The 2021 monthly limit for qualified parking is \$270.
- Both of these amounts are unchanged from 2020.

***Employees' tax-free qualified transportation benefit amounts are subject to annual cost-of-living adjustments.***

Provided to you by [Acumen Solutions Group](#)

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