

# POLICY GUIDELINES AND PROCEDURES FOR THE PRE-TAX TRANSPORTATION BENEFIT PILOT PROGRAM

## 1.0 PURPOSE

- 1.1 To implement a Pre-Tax Transportation Benefit Pilot Program (“PTBP” or “Program”), under the State of Hawai`i Qualified Transportation Fringe Benefit Plan, in accordance with section 132(f) of the Internal Revenue Code, for eligible State of Hawaii Executive Branch employees.
- 1.2 These guidelines implement the Program and are intended to comply with the requirements of the Internal Revenue Code. If there are any conflicts between the provisions of the Code and these guidelines, the Code shall prevail.

## 2.0 DEFINITIONS

- 2.1 As used in these guidelines, unless a different meaning clearly appears in the context:

“Bus Pass” means a bus ticket purchased through TheBus, Oahu’s bus transit system contracted by the City and County of Honolulu, for transportation services on Oahu.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“Department Coordinator” means the employee designated by the department’s Director who shall be responsible for administering the Pre-Tax Transportation Benefit Pilot Programs for his/her department’s employees.

“Director” means the director of the State of Hawaii Department of Human Resources Development.

“Bus Pass Eligible Employee” means a person who:

- 1) is an employee of the State Executive Branch (excluding the DOE) who is eligible to participate in the State of Hawaii Employees’ Retirement System,
- 2) lives and works on Oahu, and
- 3) does not have parking in a State-controlled lot with a parking payroll deduction.

“Handi-Van” means the paratransit service for persons with disabilities provided by the City and County of Honolulu.

“Handi-Van eligible employee” means an employee who:

- 1) is an employee of the State Executive Branch (excluding DOE) who is eligible to participate in the State of Hawaii Employees’ Retirement System;
- 2) lives and works on Oahu;
- 3) does not have parking in a State-controlled lot with a parking payroll deduction;
- 4) is deemed Handi-Van eligible by the City and County of Honolulu, Department of Transportation Services; and
- 5) possesses a current Handi-Van Photo Identification Card issued by TheBus, Oahu’s Transit system contracted by the City and County of Honolulu for transportation services on Oahu.

“Handi-Van Fare Coupon” means a fare coupon purchased through TheBus, Oahu’s Transit system contracted by the City and County of Honolulu for transportation services on Oahu, and is redeemable for a one-way passenger trip on a Handi-Van operated vehicle.

“New Hire” means:

- 1) an employee hired from the private sector;
- 2) an employee transferring to the State Executive Branch from the DOE, UH, Judiciary, HHSC, or counties; or
- 3) newly eligible employee (e.g., employee converting from 89-

day hire to permanent status)

“Pay day” means the 20<sup>th</sup> of the month for State employees on the “lagged” payroll, and the 15<sup>th</sup> of the month for the “non-lagged” payroll. If a pay day falls on a State holiday, Saturday, or Sunday, the pay day shall be the immediately preceding weekday.

“Program year” means the twelve-month period commencing July 1 and ending on June 30.

“Vanpool Hawaii” means a State of Hawaii – Department of Transportation ridesharing commuter program administered by VPSI, Inc. This commuter service is like a carpool except vanpoolers commute to work in minivans in groups of 7 to 15 people. The maintenance and car insurance is provided by Vanpool Hawaii. Riders share the cost of fuel and parking. The vanpool group decides on the schedule and the route that the van will take every day.

“Vanpool Hawaii participant” means a person who:

- 2) is an employee of the State Executive Branch (excluding the DOE) who is eligible to participate in the State of Hawaii Employees’ Retirement System,
- 3) lives and works on Oahu, and
- 4) does not have parking in a State-controlled lot with a parking payroll deduction, and
- 5) is an employee who is participating in the vanpool program through Vanpool Hawaii.

### 3.0 PLAN ADMINISTRATION

3.1 The Director shall be the overall administrator of the Program and shall have the powers and duties to take all actions and make all decisions necessary or proper to carry out this Program.

3.2 The department heads, or their designees, shall be responsible for the

day-to-day administration of the Program for their respective department employees.

- 3.3 The Program shall be administered in a nondiscriminatory manner and in accordance with the Code and other applicable federal and State laws.

#### 4.0 BENEFIT COVERAGE AND ELIGIBILITY INFORMATION

- 4.1 The Program allows eligible employees (see Section 2.0 – Definitions) to pay for bus passes, Handi-Van fare coupons, and Vanpool Hawaii seat fees on a pre-tax basis. Deductions shall be made before FICA, federal and State taxes are calculated. The amount deducted per month under the Program shall not exceed the amount allowable under the Code.

*Note: For 2010, the maximum pre-tax deducted amount allowable under the Code for combined commuter highway vehicle transportation and transit pass expenses is \$230 per month. The maximum amount may be subject to change in accordance with the provisions of section 132(f) of the Code.*

- 4.2 The bus passes, Handi-Van fare coupons, and Vanpool Hawaii vouchers shall be for employee use only, and cannot be used by the employee's spouse, dependents, or others.
- 4.3 Employees with parking in a State-controlled lot with a payroll deduction for parking shall not be eligible for the Program.

#### 5.0 GENERAL PROCEDURES

##### 5.1 Program Enrollment

##### 5.1.1 Pre-Tax Bus Pass Enrollments

a. New Hire Enrollments

Eligible new employees shall have sixty (60) calendar days from their date of hire to submit the “State of Hawai`i Pre-Tax Bus Pass Employee Enrollment Form” to the Department Coordinator. The Enrollment Form must be received by the Department Coordinator by the 60<sup>th</sup> calendar day. Participation shall become effective as soon as administratively possible, on a prospective basis, after the employee and the deduction have been established on the payroll system and a valid payroll deduction can be made from the employee’s paycheck.

b. Open Enrollment

Employees eligible to participate in the Program, who did not previously enroll, will have an opportunity to enroll in the Program during an annual open enrollment period. Department Coordinators will announce the open enrollment period and provide instructions for the submittal of the “State of Hawai`i Pre-Tax Bus Pass Employee Enrollment Form.”

c. Enrollment Outside of the Annual Open Enrollment Period

Enrollment outside of the annual open enrollment period may be allowed if an eligible employee has a qualifying event that would allow enrollment outside the annual open enrollment period.

A qualifying event would be:

- loss of parking that the employee may currently hold;

- a movement in position that results in a change of transportation needs; or
- the employee possesses an annual bus pass that will be expiring.

Other circumstances may be considered in allowing enrollment. Please contact your Department Coordinator who will consult with DHRD-EAO.

If enrollment outside the open enrollment period is allowed, the Department Coordinator will provide instructions to the employee regarding submittal of the “State of Hawaii Pre-Tax Bus Pass Employee Enrollment Form.”

#### 5.1.2 Pre-Tax Handi-Van Enrollments

Handi-Van eligible employees or employees that become Handi-Van eligible employees may submit a completed “State of Hawai`i Pre-Tax Handi-Van Employee Enrollment Form” to the Department Coordinator at any time during the year. Participation shall become effective as soon as administratively possible, on a prospective basis, after the employee and the deduction have been established on the payroll system and a valid payroll deduction can be made from the employee’s paycheck.

#### 5.1.3 Pre-Tax Vanpool Hawaii Enrollments

Eligible employees must be already participating in the Vanpool Hawaii program in order to enroll in the Pre-Tax Transportation Benefit Pilot Program. Vanpool Hawaii participating employees may submit a completed “State of Hawai`i Pre-Tax Transportation Benefit Pilot Program

Employee Enrollment Form” to the Department Coordinator at any time during the year. Participation shall become effective as soon as administratively possible, on a prospective basis, after the employee and the deduction have been established on the payroll system and a valid payroll deduction can be made from the employee’s paycheck.

## 5.2 Payroll Deductions

Payroll deductions for a bus pass, the pre-determined set of Handi-Van fare coupons, or Vanpool Hawaii vouchers shall be made in full from the employee’s earnings on the applicable pay day of each month. Subsequent deductions shall automatically be made on the applicable pay day of each month until the enrollment is cancelled by the employee.

5.2.1 Deduction for a bus pass shall be for payment of a pass for the following calendar month. For example, if a payroll deduction is made on the applicable pay day in July, the bus pass that will be issued shall be for the month of August.

5.2.2 Deduction for Handi-Van fare coupons will for a pre-determined set of Handi-Van fare coupons (40 coupons). Handi-Van fare coupons may be used during any calendar month and do not expire.

5.2.3 Deduction for Vanpool Hawaii vouchers will be for payment of a seat fee. TheBus issues vouchers in the denominations of \$5, \$10, and \$30. Therefore, the participating employee will receive not just one, but a combination of several vouchers to pay for their seat fee.

5.2.4 If the employee does not have sufficient funds to cover the payment of the bus pass, Handi-Van fare coupons, or

Vanpool Hawaii vouchers for a month, no deductions shall be made and no bus pass, Handi-Van fare coupons, or Vanpool Hawaii vouchers shall be issued to the employee.

5.2.5 If an employee works in more than one department, the deduction shall be made from the payroll of the enrolling department.

5.2.6 An employee who transfers to another department must cancel the existing payroll deduction and re-enroll in the Program with the new department.

5.2.7 Reimbursement to the State: If an employee is overpaid, and the employee was erroneously issued a bus pass, set of Handi-Van fare coupons, or Vanpool Hawaii vouchers, the employee shall reimburse the department in cash or check for the cost of the bus pass, Handi-Van fare coupons, or Vanpool Hawaii vouchers.

### 5.3 Distribution of Bus Passes

The bus passes, set of Handi-Van fare coupons, and Vanpool Hawaii vouchers shall be delivered by TheBus Customer Service Department to each Department Coordinator approximately five (5) working days prior to the applicable pay day. The Department Coordinator shall distribute the bus passes, Handi-Van fare coupons, and Vanpool Hawaii vouchers to employees in time for them to receive their bus Passes, Handi-Van fare coupons, or Vanpool Hawaii vouchers by the end of the current calendar month for use the following calendar month.

Each employee shall be responsible for his or her own bus pass, Handi-Van fare coupons, or Vanpool Hawaii vouchers once they have been distributed. TheBus company, the Department or any other



agency or employee of the State shall not replace any lost bus passes, Handi-Van fare coupons, or Vanpool Hawaii vouchers.

#### 5.4 Enrollment Cancellations

To cancel enrollment in the Program, the employee shall submit a "State of Hawaii Pre-Tax Transportation Benefit Pilot Program Employee Cancellation Form" to their Department Coordinator. The Department Coordinator must receive the cancellation form no less than thirty-five (35) calendar days prior to the first day of the month in which the cancellation is to be effective. Employees enrolled in the Vanpool Hawaii program, must also notify VPSI, Inc. that they will be terminating their participation in the Vanpool program and submit a cancellation form to their Department Coordinator.

### 6.0 DEPARTMENTAL PROCEDURES

#### 6.1 Ordering and Distribution of Bus Passes, Handi-Van Fare Coupons, and Vanpool Hawaii Vouchers

##### 6.1.1 Regular Monthly Bus Passes, Handi-Van Fare Coupons, and Vanpool Hawaii Vouchers

- a. The Department Coordinator shall provide TheBus with the bus pass, Handi-Van fare coupon, and Vanpool Hawaii voucher order count as outlined in the applicable Pre-Tax Transportation Benefit Pilot Program Processing Schedule.
- b. TheBus shall deliver the bus passes, Handi-Van fare coupons, and Vanpool Hawaii vouchers ordered to the Department Coordinator approximately five (5) business days prior to the applicable pay day.
- c. When departments pick up their usual mid-month

paychecks from DAGS, Accounting Division, Pre-Audit Branch, they shall also receive a check made payable to TheBus with a listing of employees for whom bus pass, Handi-Van fare coupon, and Vanpool Hawaii voucher payroll deductions were made.

- d. The Department Coordinator shall verify that the amount of the check, number of bus passes, sets of Handi-Van fare coupons, and Vanpool Hawaii vouchers received from TheBus, and the number ordered are correct. The Department Coordinator shall resolve any discrepancies. If the number of bus passes, sets of Handi-Van fare coupons, and/or Vanpool Hawaii vouchers ordered exceed the number of payroll deductions made, the Departmental Coordinator shall return the extra passes and fare coupons to TheBus at the time the payment check is provided to TheBus.
- e. The Department Coordinator shall distribute the bus passes, sets of Handi-Van fare coupons, and Vanpool Hawaii vouchers to employees in time for them to receive their passes, fare coupons, or vouchers by the end of the calendar month.
- f. The Department Coordinator shall provide the payment check to TheBus.

#### 6.1.2 Special Annual Bus Passes

- a. Disability Bus Pass

An employee who qualifies for an annual disability bus pass and wishes to enroll in the Program shall contact DHRD/Employee Assistance Office. DHRD

will coordinate the employee's enrollment and issuance of the bus pass with the employee, the Department Coordinator, and TheBus. Effective June 1, 2009, a qualifying employee may elect payroll deduction for a one year or two year disability bus pass. Enrollment may occur at anytime during the year.

b. Senior Bus Pass

An employee 65 years of age and older may qualify for a Senior Bus Pass. An employee wishing to enroll in the Program shall contact DHRD/Employee Assistance Office. DHRD will coordinate the employee's enrollment and issuance of the bus pass with the employee, the Department Coordinator, and TheBus. Effective June 1, 2009, a qualifying employee may elect payroll deduction for a one year or two year senior bus pass. Enrollment may occur at anytime during the year.

6.2 Changes in Status

6.2.1 Loss of eligibility due to termination of employment

Termination of Program participation shall be effective on the last day of the month in which the action occurred. If a payroll deduction is made prior to the loss of eligibility, the employee shall still receive a bus pass, set of Handi-Van fare coupons, or Vanpool Hawaii vouchers for the following month. For example, if an employee's last day of work is March 20<sup>th</sup> and a deduction was made on the March applicable pay day, then the employee will be issued a pass or set of fare coupons for April.

6.2.2 Leave Without Pay (“LWOP”)

During a LWOP where there are insufficient earnings in a given pay period to deduct the full amount for the employee’s bus pass, Handi-Van fare coupon, or Vanpool Hawaii voucher deduction, the employee shall not receive a pass or fare coupons for the following calendar month. Upon return from the LWOP the deductions shall re-start automatically.

6.3 Recordkeeping

The Departmental Coordinator shall maintain forms and records of Program participants by filing the forms into the employees’ official personnel file and shall input employees’ enrollment/cancellation information into the Pre-Tax Transportation Benefit Pilot Program enrollment system.

7.0 AMENDMENT OR TERMINATION OF THE PROGRAM

7.1 The State or the director may amend or terminate the Program, in whole or in part, for any reason, and at any time without the consent of any employee or other person.

8.0 GENERAL PROVISIONS

8.1 Effect of the Program on employment

8.1.1 The Program shall not be deemed to constitute a contract of employment between the State and any participant, or to be a consideration or an inducement of the employment of any participant or eligible employee.

8.1.2 Nothing contained in this plan shall be deemed to give any participant or eligible employee the right to be retained in the

service of the State or to interfere with the right of the State to terminate any participant or eligible employee at any time regardless of the effect which such termination will have upon the eligible employee as a participant of the Program.

## 8.2 Tax consequences

Neither the State nor the director makes any warranty or other representation as to whether or not any benefits received by an eligible employee participating under the Program shall be treated as includible in gross income for federal and State income tax purposes.

## 8.3 Headings and captions

The headings and captions set forth in these guidelines are provided for convenience only, and shall not affect the construction or interpretation of the Program.

## 8.4 Liability of the State

The State, including its employees, shall not be liable for any loss, taxes, or penalties due to an error or omission in administration of the Program unless the loss, taxes, or penalties are due to the gross negligence or willful misconduct of the State.

## 8.5 Severability

If any provision of these guidelines or the Program is declared to be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining provisions of these guidelines or the Program, and these guidelines and the Program shall be construed and enforced as if such provision had not been included.

## 9.0 FORMS AND PARTICIPANT GUIDE

- State of Hawai`i Pre-Tax Transportation Benefit Pilot Program Employee Enrollment Form
- State of Hawai`i Pre-Tax Handi-Van Employee Enrollment Form
- State of Hawai`i Pre-Tax Transportation Benefit Pilot Program Employee Cancellation Form
- State of Hawai`i Pre-Tax Transportation Benefit Pilot Program Employee Enrollment Form for Disability Annual Bus Pass
- State of Hawai`i Pre-Tax Transportation Benefit Pilot Program Employee Enrollment Form for Senior Annual Bus Pass
- Pre-Tax Transportation Benefit Pilot Program Participant Guide

Revised 04/01/11