



# Pre-Tax Transportation Benefit Pilot Program

## A Program for Eligible Employees of the State Executive Branch

### PRE-TAX TRANSPORTATION BENEFIT PILOT PROGRAM

The Pre-Tax Transportation Benefit Pilot Program (“PTBP” or “Program”) is being offered to eligible Oahu employees of the State Executive Branch. This is a **tax savings benefit program** which is authorized under the Federal Transportation Equity Act for the 21<sup>st</sup> Century, Section 132(f) of the Internal Revenue Code (IRC). This Act allows employees to pay for qualified transportation expenses **before** federal, State and FICA taxes are computed.

Please read this flyer carefully so that you can determine the Program’s effect on your retirement, social security, deferred compensation, and tax-sheltered annuity benefits.

### WHAT QUALIFIED TRANSPORTATION EXPENSES ARE INCLUDED IN THE PROGRAM?

- Bus Passes for TheBus;
- TheHandi-Van service; and
- Vanpool seat fees

Currently, only regular monthly bus passes are offered through this Program. However, the Program is design to offer other types as soon as such offerings are made available in the HOLO Card system and with the vanpool service provider. Such examples could include Senior and Disability Annual Bus Passes. Updates to the Program will be made when other options are added.

### WHO’S ELIGIBLE TO PARTICIPATE?

Employees of the State Executive Branch (excluding the University of Hawai’i and Department of Education) who are eligible to participate in the State of Hawai’i Employees’ Retirement System, who live and work on Oahu, and who do not have parking in a State-controlled lot with a parking payroll deduction are eligible to participate. If you would like to participate in a vanpool program, you may retain or take a parking assignment in a State controlled lot on a post-tax basis. If you would like to enroll in the Program for Handi-Van services, you must also possess a current Handi-Van Identification Card issued by TheBus.

### HOW DOES THE PROGRAM WORK?

You may authorize your employer to have your designated transportation expenses deducted from your paycheck(s) on a **pre-tax** basis. This means you will save money on your bus pass, Handi-Van or vanpool seat expenses.

A single recurring monthly payroll deduction will be made **before** federal, State and FICA taxes are withheld.

The single monthly deductions will occur on the 20<sup>th</sup> of each month.

Your employer will purchase a regular bus pass, Handi-Van pass or make payment for your vanpool seat fee. For bus pass enrollment, a regular bus pass will be loaded on to your designated HOLO Card on a monthly basis. The HOLO Card, is a contactless, reusable, reloadable electronic fare card (“smart” card) that is linked to a fare account containing stored value and/or passes. The HOLO Card allow riders to pay for transit services by simply tapping the HOLO card validator to quickly board a bus, ride a Handi-Van or enter a rail station to catch a train.

Your bus pass, Handi-Van pass or vanpool seat fee are for your use only and cannot be used by your spouse, dependents, or others.

### HOW MUCH WILL I SAVE?

The savings for each employee will vary depending on your tax bracket, but the following provides an example of how this benefit works:

Based on an annual salary of \$24,000

	Pre-Tax	After-Tax
Salary	\$24,000.00	\$24,000.00
Pre-Tax	840.00*	-0-
Taxable Income	23,160.00	24,000.00
Estimated Tax Withholding	5,182.00	5,384.00
After-Tax Deduction	-0-	840.00*
Spendable Income	\$17,978.00	\$17,776.00
<b>Estimated Tax Savings Per Year</b>	<b>\$ 202.00</b>	

(Note: The chart is being provided for illustrative purposes only and should not be construed as tax advice.)

\*Monthly Bus Pass rate of \$70.00

### HOW DO I ENROLL?

#### For Bus Passes

**Eligible employees interested in a regular monthly bus pass may enroll any time during the year.**

Submit a “State of Hawai’i Pre-Tax Transportation Benefit Pilot Program Employee Enrollment Form” or “Enrollment Form” to your Department Coordinator. The Enrollment Form may be obtained from your Department Coordinator or you may download it from the DHRD website:

<http://dhrd.hawaii.gov/state-employees/employee-benefits/>

Passes will be issued provided a valid payroll deduction can be made from your paycheck. Payroll deductions and issuance of monthly passes on designated HOLO Card will automatically continue until you cancel your enrollment.

### MAY I CANCEL MY ENROLLMENT?

Yes, to cancel, you must submit a “State of Hawai’i Pre-Tax Transportation Benefit Pilot Program Employee Cancellation Form” or “Cancellation Form” to your Department Coordinator, who must receive it **no less than 35**

**days prior to the month for which cancellation is to be effective.**

You may obtain a Cancellation Form from your Department Coordinator, or you may download it from the DHRD website.

### ONCE I CANCEL, WILL I BE ABLE TO RE-ENROLL AT A LATER TIME?

Yes, you may re-enroll at any time during the year. Please note that participation shall become effective as soon as administratively possible, on a prospective basis.

### WHAT MUST I DO IF I TRANSFER TO ANOTHER DEPARTMENT WITHIN THE STATE EXECUTIVE BRANCH AND WISH TO CONTINUE TO PARTICIPATE IN THE PROGRAM?

You must cancel your existing payroll deduction with your current department and re-enroll in the Program with your new department. Please keep in mind that payroll deductions are made one month in advance. Therefore, your Cancellation Form must be received by your current Department Coordinator at least thirty-five (35) calendar days before the effective date of the cancellation.

### WILL MY RETIREMENT, SOCIAL SECURITY, DEFERRED COMPENSATION OR TAX-SHELTERED ANNUITY PLAN BENEFITS BE AFFECTED?

The Program will not affect your **State Employees’ Retirement System (ERS) Plan** benefits.

Participation in the Program may affect your **Deferred Compensation Plan, or Tax-Sheltered Annuity (TSA) Plan** contributions, if your contributions are based on a percentage of your salary, rather than a fixed dollar amount.

Your **Social Security** benefits may be slightly reduced because your Social Security benefits and taxes will be calculated on your reduced salary amount.

**For more information**, contact your Department Coordinator or visit the DHRD website.

*Note: This Informational Flyer is only a brief summary of the Program. The provisions in the “Policy Guidelines and Procedures for the Pre-Tax Transportation Benefit Pilot Program” constitute the official explanation of the Program and its benefits, and control over the contents of this Informational Flyer.*