



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 Hawai'i 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 pass that allows the holder to ride 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 or employees designated by the department's Director who shall be responsible for administering the Pre-Tax Transportation Benefit Pilot Program for his/her department's employees (e.g., personnel and fiscal staff may jointly administer the Program).

“Director” means the director of the State of Hawai‘i Department of Human Resources Development.

“Bus Pass Eligible Employee” means a person who:

- 1) is an employee of the State Executive Branch (excluding the University of Hawai‘i and Department of Education) who is eligible to participate in the State of Hawai‘i 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 the University of Hawai‘i and Department of Education) who is eligible to participate in the State of Hawai‘i 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 HOLO Card issued by the service provider contracted by the City and County of Honolulu.

“HOLO Card” means a contactless, reusable, reloadable electronic fare card (“smart” card) that is linked to a fare account containing stored value. The account can also store a pass at the same time. The HOLO card allows 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. The current fare structure, as

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defined in Section 13-2.1 of the Revised Ordinances of Honolulu, determines the associated fare amount to deposit/load into the HOLO Card account.

“Pay day” means the 20th of the month for State employees on the “lagged” payroll, and the 15th 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.

“Vanpool program” means a ridesharing commuter program that enables people with similar commuting routes to share a vehicle and save time and money on their daily travel. Typically, in these arrangements, the maintenance and car insurance are provided by the rideshare company and the riders share the cost of vehicle rental, fuel and parking.

“Vanpool participant” means a person who:

- 1) is an employee of the State Executive Branch (excluding the University of Hawai‘i and Department of Education) who is eligible to participate in the State of Hawai‘i Employees’ Retirement System,
- 2) lives and works on Oahu, and
- 3) does not have parking in a State-controlled lot with a pre-tax parking payroll deduction, and
- 4) is participating in a vanpool program

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.

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- 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 transit services (e.g. bus passes, Handi-Van passes, and vanpool 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.
- 4.2 The transit services 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.
- 4.4 Enrollment may occur at any time during the year.

5.0 GENERAL PROCEDURES

5.1 Program Enrollment

5.1.1 Pre-Tax Bus Pass Enrollments

Eligible employees who wish to enroll in the Program shall submit the "State of Hawai'i Pre-Tax Transportation Benefit Pilot Program Employee Enrollment Form" to the Department Coordinator. 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.

5.1.2 Enrollment Of Other Options

Currently, only regular monthly bus passes are offered through this Program. Other Program options will be dependent on offerings available in the HOLO Card System and with the vanpool service provider. Updates to the Program will be made when other options are added.

- a. Pre-Tax Annual Disability Bus Pass Enrollments
- b. Pre-Tax Annual Senior Bus Pass Enrollments
- c. Pre-Tax Handi-Van Enrollments
- d. Pre-Tax Vanpool Enrollments

5.2 Payroll Deductions

Payroll deductions for a bus pass or any other options available under this Program 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 or any other options under this Program shall be for payment of a monthly 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 If the employee does not have sufficient funds to cover the entire monthly cost of the bus pass or other enrolled option, no deductions shall be made, and the employee's coverage shall be suspended for that month.

- 5.2.3 If an employee works in more than one department, the deduction shall be made from the payroll of the enrolling department.
- 5.2.4 An employee who transfers to another department must cancel the existing payroll deduction and re-enroll in the Program with the new department.
- 5.2.5 Reimbursement to the State: If an employee is overpaid, and the employee was erroneously issued a bus pass, the employee shall reimburse the department in cash or check for the cost of the bus pass. This also applies to the other options under this Program.

5.3 Distribution of Bus Passes

The bus passes shall be loaded on to the employee's HOLO Card by the Department Coordinator by the end of the current calendar month for use the following calendar month.

During the initial roll out period of the HOLO card, the card is free of charge and Department Coordinators will distribute employees a card upon enrollment in the Program. However, after the initial rollout period, there will be a one-time charge for new and replacement cards as defined in Section 13-2.1 of the Revised Ordinances of Honolulu. When the City begins to impose a fee for the HOLO Cards, employees will have to obtain their own card at participating retailers, TheBus Pass Office, or at Ticket Vending Machines at rail stations once they are in operation. Participating employees will then have to provide their Department Coordinator the HOLO Card number for bus pass loading purpose.

Each employee shall be responsible for his or her own HOLO Card and checking to ensure the bus pass for the following calendar month has been loaded by the end of the current month. TheBus company, HOLO Card management company, the Department or any other

agency or employee of the State shall not replace any lost HOLO Card.

5.4 Enrollment Cancellations

To cancel enrollment in the Program, the employee shall submit a "State of Hawai'i 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.

HOLO Cards need not be returned to the Department Coordinator as it may have stored monetary value that was loaded by the employee. Should the employee re-enroll in the Program, the same card may be used at time of re-enrollment.

6.0 DEPARTMENTAL PROCEDURES

6.1 Enrollment, Cancellation and Loading of Bus Passes

6.1.1 Enrollment

- a. Upon receipt of an employee's "State of Hawai'i Pre-Tax Transportation Benefit Pilot Program Employee Enrollment Form" or "State of Hawai'i Pre-Tax Transportation Benefit Pilot Program Employee Cancellation Form," the Department Coordinator shall input the transaction into the Pre-Tax Transportation Benefit Pilot Program enrollment system in accordance with the Pre-Tax Transportation Benefit Pilot Program Processing Schedule.
- b. When departments visit DAGS, Accounting Division, Pre-Audit Branch mid-month, they shall receive a check made payable to the HOLO Card vendor with a

listing of employees for whom payroll deductions were made. At such time when this payment process is automated electronically, payments will be wired directly to the HOLO Card vendor and there will be no paper checks distributed to departments. However, Department Coordinators will continue to receive a report listing of employees for whom payroll deductions were made. In addition, Department Coordinators will receive verification of the check amount that was wired to the HOLO Card vendor.

- c. The Department Coordinator shall verify that the amount of the check or wire, number of bus passes to be loaded, and the deduction amounts are correct. The Department Coordinator shall resolve any discrepancies and may reach out to the HOLO Card vendor and/or Department of Human Resources Development for assistance.
- d. On the applicable pay day of each month or soon after, the Department Coordinator shall load the following calendar month's bus pass on the employee's HOLO Card. The Department Coordinator shall double check that the appropriate HOLO Cards are loaded correctly and reach out to the HOLO Card vendor immediately if there are any discrepancies.
- e. After reconciliation of the bus passes, the Department Coordinator shall mail the check payment to the HOLO Card vendor. At such time when payments are wired directly to the HOLO Card vendor, Department Coordinator should continue to reconcile the amount of bus passes loaded for that month with the wired amount and report any discrepancies to the HOLO Card vendor and/or Department of Human Resources

Development.

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 for the following month. For example, if an employee's last day of work is March 20th and a deduction was made on the March applicable pay day, then the employee's HOLO Card will be loaded a pass 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, the employee shall not receive a pass for the following calendar month. Upon return from the LWOP, the deductions shall re-start automatically.

6.3 Recordkeeping

The Department 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 Transportation Benefit Pilot Program Employee Cancellation Form
- Pre-Tax Transportation Benefit Pilot Program Participant Guide
- Pre-Tax Transportation Benefit Pilot Program Informational Flyer

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