

## **\*\*Important News for Commuters\*\***

### **QUALIFIED TRANSPORTATION PROGRAM**

Your employer is pleased to offer you a “qualified transportation fringe benefit” – a valuable employee benefit that can save your several hundred dollars per year in taxes. All employees are eligible to elect to participate in the Qualified Transportation Program (the “Transportation Program”) provided you use mass transportation (such as the bus, subway, train or “qualified” vanpools) or you pay to park your automobile as part of your daily commute to work. Under the Transportation Program, you may now use pre-tax dollars to pay for these commuting expenses. This will increase your take-home pay by reducing your tax liability for purposes of federal income taxes, FICA taxes (both Social Security and Medicare component) and, in most states, state income taxes.

Only employees are eligible to receive Transportation Program benefits under this new employee benefit program. Therefore, spouses and dependents of employees are ineligible to receive this valuable benefit, as are any non-employee contractors.

#### **HOW THE PROGRAM WORKS**

Under the Transportation Program, you can elect the amount of pre-tax dollars you plan to use toward a specific transportation benefit. Your employer will reduce your monthly pay by your election amount. Depending on both your office location and the method of transportation, your employer will then provide you with an equal amount in the form of a payroll reimbursement for your monthly parking expenses or in the form of a “transit check” to pay for certain qualified commuting costs such as fares on subways, trains, buses or qualified vanpools. In certain locations or under certain circumstances, cash reimbursements may be permitted for transit expenses. If you spend the full amount of your salary reduction on qualified transportation costs, your take-home pay will effectively increase since you are now purchasing your transportation expenses with “pre-tax dollars” rather than “after-tax dollars”. Although this is similar to a cafeteria plan benefit, this is not part of the Flexible Benefits Plan and any elections under that plan or any other employee benefit plan.

The tax law provides different limits on the amount of pre-tax dollars that may be used for mass transit expenses and parking expenses. Under the law, you can elect to apply pre-tax dollars of up to \$ 230 per month in 2009 towards your public transportation expenses (transit passes & vanpooling combined); and up to \$ 230 per month in 2009 toward your parking expenses. If you are a single individual with no dependents and do not itemize your tax deductions, then using the Mass Transit Option can save you more than \$ 300.00 per year, and the Monthly Parking Option can save you more than \$ 850.00 per year. Of course, your actual tax savings will vary according to your specific tax bracket, tax deductions and transportation needs.

## **YOUR SALARY REDUCTION ELECTION**

To become a participant in the Transportation Program and receive these valuable tax savings, you must complete and file an election form in which you authorize your employer to reduce your pre-tax salary by the amount you wish to use for monthly transportation expenses. For example, if you elect to participate in the Transit Passes and/or Vanpooling at the rate of \$ 230 per month, then your salary will be reduced by \$ 106.15 (based on a bi-weekly payroll frequency of 26) per payperiod. The full \$ 230 will then be “reimbursed” to you tax-free when you submit a claim for reimbursement (with valid receipts) to the Company’s Plan administrator.

## **HOW DO I RECEIVE MY BENEFIT?**

Transit Passes & Vanpooling Option – If you elect this option, you will receive a reimbursement in the amount of your salary reduction election. The tax law requires that you use this reimbursement for your own public transportation expenses. Although carryover reductions are permitted, carefully plan your salary reduction elections since cash refunds are not permitted. If you fail to incur your Transit Passes and/or Vanpooling expenses for the previous month, then you may want to subsequently modify your salary reduction election for the following coverage period.

Monthly Parking Option – The monthly parking option is similar to the transit passes and vanpooling option because it allows you to pay for your monthly parking expenses with pre-tax dollars. Eligible parking includes parking at or near your office location or at a commuter parking lot (“park & ride lot”). The monthly parking option is different from the transit passes and vanpooling option in two important ways. First, the maximum salary reduction allowed by law is significantly higher – up to a maximum of \$ 230 per month for 2009. This increases your maximum tax savings. Second, you must pre-pay for the parking yourself before receiving a reimbursement from your employer – unless your parking facility has arranged for a direct payroll deduction with your employer. The amount you spend each month on parking – up to \$ 230 per month for 2009, will be listed as a separate item on your pay stub, but without deductions for income taxes and FICA expenses.

Although you must generally continue to prepay your monthly parking expenses, your employer will reimburse you for your expenses up to your salary reduction amount (provided you substantiate that you have spent that amount on qualified parking). If you do not provide adequate substantiation of your expenses, then your employer cannot reimburse your transportation expenses. This unused salary reduction amount can be carried over to any succeeding month to be used for that month’s expenses (but not in excess of the \$ 230 monthly limitation for 2009), but cannot be refunded to you.

Example: Katie commutes to work in her personal automobile and parks in a garage one block from the office. She pays \$ 150 on the first day of the month to park in this facility. Katie elects to participate in the Transportation Program at the rate of \$ 150 per month. Katie provides a receipt in the form of a cancelled check, credit card receipt or a cash register receipt to your employer (or it's designated Third-Party Plan Administrator) by the 15<sup>th</sup> of every month. Each of her bi-weekly paychecks will reflect a pre-tax deduction of \$ 69.23 ( $\$ 150 \times 12 \text{ mos.} \div 26 \text{ payrolls} = \$ 69.23$ ). She will receive a maximum reimbursement of \$ 150 per month. The effect is to increase Katie's take-home pay each pay period.

Park & Ride – For those employees who pay to park their cars as part of their commute and then ride a train, subway or bus to work, you may benefit both ways. Your taxable salary can be reduced by the monthly amount you spend on parking at the park & ride lot (up to \$ 230 per month in 2009), as well as up to \$ 230 per month (in 2009) for your mass transit expenses. You will be reimbursed monthly for both substantiated expenses.

Substantiation – You will be required to substantiate your transportation expenses. To substantiate your monthly parking expense, you must identify the amount and type of expense, as well as the location of the parking facility. You will also be required to provide a copy of the receipt (such as cancelled checks, credit card receipts or parking receipts) to your employer or it's designated Third-Party Plan Administrator not later than the 15<sup>th</sup> of the month. Your employer will provide you with the appropriate claim form with directions about this process. If you fail to provide such substantiation, then tax laws prohibit your employer from reimbursing the unsubstantiated portion of your expenses.

Vanpools – Please contact the Plan Administrator for your employer if you commute to work in a vanpool.

## **IMPACT ON YOUR OTHER EMPLOYEE BENEFITS**

Salary reductions under the Transportation Program will not impact your tax savings under your employer's other benefit programs. For some participants, your future Social Security benefits may be slightly reduced when you reach social security retirement age. Any such reduction would be marginal at best under the current Social Security rules and would be far outweighed by your current tax savings under the Transportation Program.

## **HOW TO PARTICIPATE**

To Participate – If you wish to begin your salary reduction effective with the first paycheck in the Plan Year, fill out the attached Salary Reduction Agreement and return it to your employer. Your initial salary reduction will be reflected on your first paycheck in the Plan Year. Please carefully review your paycheck for accuracy. You can increase or decrease your election or suspend participation prior to the first day of each month by completing a new Salary Reduction Agreement.

To Participate At A Later Date – If you do not participate at the beginning of the Plan Year, you may begin to participate effective the first day of any subsequent month. A properly completed Salary Reduction Agreement must be received by your employer by the 20<sup>th</sup> of the month prior to the effective date and continue until such election is changed. A Salary Reduction Agreement is available either from your employer or it's designated Third-Party Plan Administrator.

To Continue Participation – If you already participate in the Transportation Program, you do not need to do anything to continue participation in the same amounts and under the same options as you originally elected. If you previously elected the maximum salary reduction available for your transportation option, then the amount of your salary reduction will be \$ 230 per month for the Parking Option (in 2009), and \$ 230 per month for Transit Passes & Vanpooling (in 2009). Increases in the monthly maximums will be based upon changes announced by the IRS to the cost of living index. You will be notified before any increases are implemented under the Transportation Program.

### **ADDITIONAL INFORMATION**

You may contact your employer or its' designated Third-Party Administrator if you have any questions regarding the general provisions of the Transportation Program and your specific eligibility or elections under the Transportation Program.

### **THIRD-PARTY ADMINISTRATOR**

Your employer has engaged the services of a Third-Party Administrator to process claims for reimbursement and issue checks for the Transportation Program:

KCI Financial Services, Inc.  
11011 Sheridan Street, Suite 202  
Cooper City, FL 33026  
Tel. 954-443-4443  
Fax 954-443-4445