University of Memphis

Guidelines - Tax Sheltered Parking Fees

Effective January 1, 2002, the University will automatically process monthly payroll deduction for employee parking expenses on a pre-tax basis as permitted by Section 132(f) of the Internal Revenue Code, “Qualified Transportation Fringe Benefits”. This treatment will exclude the amount of the deduction, up to the current federal limit, from taxable income for purposes of federal income and social security tax withholding.

General Guidelines

1. Any regular employee using payroll deduction to pay for parking fees is eligible to participate in this plan.

2. Any form of payment made outside of an employee’s payroll deduction cannot be processed on a pre-tax basis.

3. Employees are automatically enrolled in the Pre-tax parking plan when a parking payroll deduction is authorized. Deductions are automatically processed on a pre-tax basis.

4. Employees may opt out of the Pre-tax parking plan by completing and submitting a waiver form to the Payroll Office by the specified date. Waiver forms are available from Human Resources or on the Web at http://bf.memphis.edu/forms/payr/waiver.pdf.

5. Once the waiver form has been completed, it cannot be rescinded until the next Annual Transfer Period for Benefits, which is held each fall between October 15 and November 15. Also, to keep the waiver in effect from year to year, a new waiver must be completed during the Annual Transfer Period for Benefits.

6. The amount of parking fees will not affect the employee’s annual compensation for purposes of retirement contributions or retirement benefit calculations.

7. The amount of the parking fee deduction will not be considered taxable income and will not be included as compensation when determining any tax deferred income limitations.

8. Employees within a few years of retirement may want to opt out of the Pre-tax parking plan, since savings in social security taxes will result in a reduction in the amount of social security benefit at retirement. Employees with questions or concerns should contact a tax professional.

9. Qualified parking expenses are defined as parking provided to an employee on or near the business premises of the employer or on or near a location from which the employee commutes to work by mass transit facilities, commuter highway vehicle, or by carpool. As of January 1, 1999 the federal limit is $175 per month.