



**April 27, 2009**

**TO: The City of Berkeley, Berkeley Chamber of Commerce**

**FROM: Jim Lazarus & Rob Black, San Francisco Chamber of Commerce**

**RE: Transit Benefit Mandate**

The San Francisco Chamber of Commerce recently took a neutral position on the Transit Benefit Mandate. The ordinance established a commuter benefits program that mandates employers to offer one of three transit benefits to employees. The sponsoring supervisor argued that the legislation would promote the city's transit first policies and will help reduce air pollution and green house gas emissions.

While the Chamber generally opposes mandates on business, the city's newest requirement that businesses with 20 or more employees working in San Francisco establish a program to promote the use of public transit can be an economic benefit. In addition to helping to reduce greenhouse gas emissions by getting people out of cars and onto transit, the law can be a money-saver for businesses, and thus, the Chamber did not oppose the measure.

#### **About the Ordinance**

Every employer with 20 or more full time or part time employees who work at or out of a San Francisco location, would have to offer at least one of the following programs:

- 1) A pre-tax election under the IRS code giving the employee the right to exclude up to \$110 a month in commuting costs from taxable wages. (The pre-tax option is a tax benefit created by the federal government to encourage the use of public transit, and will save money for both the employee and the employer.)
- 2) A program where the employer supplies a transit pass (or reimburses vanpool charges) equal to the cost of a monthly MUNI pass (\$45).
- 3) Furnishes employees with vanpool or other type of transportation.

Failure to provide one of these benefits could result in an infraction, with fines per infraction from \$100-\$500. The City may also seek other forms of legal, injunctive or equitable relief.

Because the transit benefit can have a cost savings to employers, the Chamber did not oppose the final amended version of the ordinance. For example, the pre-tax Commuter Check option, the cost of issuance of a \$110 Commuter Check is usually 3 ½% of the cost of the check, approximately \$46 per year per employee. However because the benefit uses pre-tax dollars there is a larger cost savings to the employer. For example, for an employee that makes \$50,000 per year, the benefit

would save the employer approximately \$175 annually on federal and state income tax and social security for a net savings to the employer of \$129 per year per employee. The amount of savings to the employer would vary depending on the salary amount and the amount the employee chose to take pre-tax.