



**Dear Clients and Friends,**

Filling up the gas tank has gotten to be a favorite "water cooler" topic. There are internet sites that feature the cheapest prices for gas.

The IRS took the unusual step of increasing the standard mileage reimbursement rate in September, 2005. The rate was increased from 40.5 cents to 48.5 cents to reflect the dramatic rise in gas prices.

The new rate effective January 1, 2006 is 44.5 cents per mile for business miles driven.

Rising gas prices have renewed employer interest in transportation benefit plans. An average worker earning approximately \$40,000 spends about 3.3% of their pay on gas at today's prices. A transportation plan can blunt the effect of these prices and save the employer payroll tax dollars, too.

*Sincerely yours,  
Jim Lill, President*

## Transportation Benefits

The wallet pain that occurs at the gas pump has caused many employers and employees to reconsider commuting issues. Some employers are considering adding transportation benefits to help employees with costs. Approximately 14% of employers offer a qualified transportation plan or subsidy.

Transportation benefits provide employees with pre-tax work related parking and mass transportation benefits. These are provided through payroll reduction or employer subsidy. A payroll reduction plan reduces payroll and other taxes for both employers and employees in the same way as a Section 125 flexible spending account.

Qualified transportation benefits can be provided by the employer or through a reimbursement arrangement. Transit passes are a typical component of a transportation benefit. Many of the transit agencies can work with employers on instituting these programs.

The benefit limits are set by the Internal Revenue Service and are contained in Publication 15-B, Employer's Tax Guide to Fringe Benefits. The limits for 2006 are:

- \$105 per month for combined commuter highway vehicle transportation and transit passes
- \$205 per month for qualified parking.

Employers must allow all eligible employees to participate in a transportation benefit, if offered. Employees are also allowed to use any unused balances in their accounts for 90 days after termination.

De Minimis transportation benefits are not subject to the specified dollar limits. However, these benefits are excludable from employee income if it has little value. This generally applies to occasional transportation fare due to overtime work.

**Ask us about free COBRA and FSA administration!**

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