

LEGAL UPDATE

IRS Issues Proposed Regulations for Qualified Transportation Fringe Benefits

The IRS has issued proposed regulations under a portion of the 2017 Tax Cuts and Jobs Act that eliminated the employer deduction for certain employee transportation benefits, beginning after Dec. 31, 2017. According to the IRS, the proposed regulations provide guidance to help employers determine the amount of qualified fringe transportation expenses that are nondeductible and apply exceptions. Before the Act's passage, the deduction had been available for employer-taxpayers to claim.

The Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act changed Section 274 of the IRS Code to disallow employer deductions for qualified transportation fringe expenses, including:

- Transportation in a commuter highway vehicle between the employee's residence and place of employment;
- Transit passes;
- Qualified parking; and
- Qualified bicycle commuting reimbursement.

The Proposed Regulations

The proposed regulations provide methodologies to determine the amount of qualified transportation fringe parking expenses that are **nondeductible**. The proposed regulations also include definitions and special rules for the calculations underlying the methodologies.

Written or electronic comments and requests for a public hearing on the proposed regulations must be received by Aug. 24, 2020. The IRS strongly encourages commenters to submit public comments electronically at www.regulations.gov.

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Important Dates

Dec. 22, 2017

Tax Cuts and Jobs Act passed, eliminating employer deduction for qualified transportation fringe benefits.

June 19, 2020

Proposed regulations issued on the elimination of the deduction.

Aug. 24, 2020

Deadline for comments and requests for a hearing.

The proposed regulations include methodologies, definitions and special rules to determine amounts that are not deductible.



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