

# COMMUTER TAX BENEFIT WORKSHEET

## Sample Tax Calculations (2015)\*

### I. ASSUMPTIONS

#### **A. Individual Taxes**

1. Employee earns \$75,000 or \$6,250/month	
2. Federal Tax	32.65%
a. Personal Income Tax Bracket	25.00%
b. Federal Insurance Contribution Act (FICA)	7.65%
i. Social Security Tax (\$118,500 cap)	6.20%
ii. Medicare Tax (no cap)	1.45%
3. Connecticut Tax (est.)	4.00%
(3% up to \$20,000 plus 5% over \$20,000 up to \$100,000)	
4. Total Tax Rates (Federal and State)	36.65%

#### **B. Employer Taxes**

1. Federal – FICA**	7.65%
2. Corporate Tax Rates	
a. Federal Tax Rate	30.00%
b. Connecticut Tax Rate	9.00%
c. Total Corporate Tax Rates	39.00%

\* All tax rates and calculations are for example purposes only.

\*\* Employers also pay FUTA (federal unemployment taxes) of .6% on first \$7,000 of salary or \$42. This is not included in the calculations.

## II. Sample Tax Calculations\*

### A. Employee and Employer Tax Savings Charts

#### EMPLOYEE AND EMPLOYER TAX EXCLUSIONS ON WAGES

	Federal	State	Total Tax Rate
<b>Employee Exclusion</b>	Personal 25.00% FICA 7.65% Total 32.65%	4.0%	36.65%
<b>Employer Exclusion</b>	FICA 7.65%		7.65%

#### EMPLOYEE PRETAX SAVINGS ON WAGES

	No Tax Benefit	Pretax Benefit	Monthly/Annual Savings
<b>Monthly Salary</b>	\$6,250	\$6,250	
<b>Commuting Benefit Pretax</b>	-----	(\$130)	
<b>Taxable Salary</b>	\$6,250	\$6,120	
<b>Total Taxes (36.65%)</b>	(\$2,291)	(\$2,243)	
<b>Commuting Cost Post Tax</b>	(\$130)	-----	
<b>Take Home Pay</b>	\$3,829	\$3,877	<b>\$48/\$576</b>

## B. Quick Tax Calculations on Pretax and Subsidy Benefits

### 1. Employee Pretax Savings - Quick Calculation

Amount Set Aside from Taxes X Tax Rate  
 $\$130 \times 36.65\% = \$47.65$

### 2. Employer Total Savings

No. of Employees X \$10/employer X 12 months = Total Annual Savings  
\_\_\_\_\_ X \$10 X 12 = \_\_\_\_\_

EXAMPLE:

100 X \$10 X 12 = \$12,000

### 3. FRINGE BENEFIT IMPACT ON EMPLOYEES

Subsidy Amount:  $\$130/\text{month} \times 12 = \$1,560/\text{year}$

Equivalent Annual Salary Increase:

$\$130/(1-.3665) = \$205.21/\text{month} \times 12 = \$2,463$  annual equivalent salary increase

For \$75,000 salary, fringe benefit of \$130/month is equal to a 3.3% raise on \$75,000 salary.

### 4. FRINGE BENEFIT IMPACT ON EMPLOYER

<b>Employer Subsidy</b>	\$130
<b>Business Deduction*</b>	(\$50.70)
<b>Final Cost</b>	\$79.30

\* Corporate tax rate: 9% State + 30% Federal (est.) = 39%

## 5. SHARE THE FARE - TRUE COST

Employer provides a \$65 subsidy and the employee uses \$65 of pretax salary to pay for commuting. Assume 36.65% individual tax rate and 39% corporate tax rate.

EMPLOYEE COST		EMPLOYER COST	
<b>Commuting Cost</b>	\$130	<b>Subsidy</b>	\$65
<b>Employer Subsidy</b>	(\$65.00)	<b>Business Deduction</b>	(\$25.35)
<b>Pretax Savings</b>	(\$23.82)	<b>Pretax Savings</b>	(\$4.97)
<b>Final Commuting Cost</b>	\$41.18	<b>Final Cost of Subsidy</b>	\$34.68