

State of California

MEMORANDUM

DATE: December 21, 2001

TO: PERSONNEL MANAGEMENT LIAISONS REFERENCE CODE: 2001-067

THIS MEMORANDUM SHOULD BE DISTRIBUTED TO:

Accounting Officers  
Employee Benefit Officers  
Employee Relations Officers  
Personnel Officers

FROM: Department of Personnel Administration  
Policy Development Office

SUBJECT: Pre-Tax Parking (Third Party Administrator Reimbursement Account)

CONTACT: Robert K. Clifford, Personnel Program Manager  
(916) 322-5714  
FAX: (916) 324-0524  
Email: RobertClifford@dpa.ca.gov

The purpose of this memorandum is to introduce departments to a new Pre-Tax Parking Third Party Administrator (TPA) Reimbursement Account.

Employees should NOT use this program, if any of the following conditions apply:

1. Do not drive a personal vehicle to work;
2. Drive a personal vehicle to work but do not pay to park; or
3. Have General Services parking at work, other department-administered State parking at work, or another existing State payroll deduction.

Departments are asked to communicate the key facts of this program to eligible employees. In order to participate in this program, employees must meet all of the following:

1. Determine that they qualify for this program.
2. Complete and submit an enrollment for this program (see details below);

3. .Pay for employment-related parking at or near their work sites;
4. Get a receipt for each paid parking expenditure in each month (e.g., one paid monthly receipt or multiple paid daily receipts);
5. Complete and submit a claim form to TPA (see details below); and
6. Comply with the Internal Revenue Service Code (IRSC), including the requirement that the parking claimed is for employment-related parking.
7. Ensure that this parking is not used for any residential purpose and not reimbursed by any other funding source.

#### **Program Details**

If IRSC conditions are met, employees can park in any paid facility providing a receipt. With proper enrollment (Department of Personnel Administration [DPA] form 682) for payroll deductions into a reimbursement account and the filing of the proper claim form (DPA form 681), employees can be reimbursed for parking on a pre-tax basis.

By accessing the DPA website, <http://www.dpa.ca.gov>, program forms are immediately available "on-line" in both Word 97 format and Published Document Format (PDF). Employees may "download and complete" (Word 97) or "complete and print" (PDF). When completed, the form should be submitted to the appropriate personnel and/or payroll office. Both forms contain complete instructions on completion and processing.

It is anticipated that most employees will be able to access these forms from home, from another location, or from their work sites. If there are employees who cannot do this, departments are asked to make limited quantities of forms available. While an original signature is required on these forms, the "paperless" form storage and access is strongly suggested and preferred by the Department. Any questions about this can be directed to the DPA Policy Development Office.

#### **Sample Time Line for Pre-tax Parking Deductions**

January 1, 2002 - Employee completes DPA form 682 (enrollment) and submits the form to his/her personnel/payroll office (documents received by SCO for the January 10th cutoff will be processed for the January pay period).

January 31, 2002 - Employee deduction appears with January pay period, January 31, 2002 warrant. Employee begins saving receipts for February parking. Please note that, according to IRS requirements, the payroll deduction must occur prior to the parking being paid and the receipt issued. For this purpose, the master payroll date is the effective date of the deduction.

February 28, 2002 - Employee completes DPA form 681 (claim) and submits to the TPA for any/all parking paid and receipted in the month of February. Copies of receipts must be attached to the form.

March 10, 2002 - TPA processes the claims for reimbursement for February parking and provides a tape to SCO to pay the claim by the end of the month.

March 31, 2002 - Employee paid by SCO based for his/her February parking claimed on the form.

#### **Background**

In accordance with the Internal Revenue Service (IRS) Laws and Rules, the program operated by the State of California applies to parking deductions made through the State Uniform Payroll System. IRSC Section 132(f) limits the value of "qualified parking" for Tax Year 2002 that may be excluded from an employee's gross income to \$185 per month for a pre-tax parking deduction. Employees paying more than \$185 per month for "qualified" parking may have a pre-tax parking deduction up to the \$185 per month pre-tax maximum and a post-tax parking deduction for the balance of their total parking cost. This \$185 total also includes any other pre-tax benefit accruing to an employee under IRSC 132. To participate, eligible employees must be on payroll deduction.

According to IRS rules, "qualified parking" is parking either "on or near the employer's business premises at a location from which the employee commutes to work by carpool, commuter highway vehicle, mass transit facilities, transportation provided by any person in the business of transporting persons for compensation or hire, or by any other means." Parking on or near property used by the employee for a residential purpose is not "qualified parking."

The first deductions under the pre-tax arrangement are scheduled to become effective with the February payroll warrant (January 1, 2002). Employees must complete and submit DPA form 682 (Enrollment). At the end of the tax year, The State Controller's Office (SCO) will report

PML 2001-067  
December 21, 2001  
Page 4

taxable income as usual and will exclude from gross taxable income the amount of qualified pre-tax parking.

Once deductions for the pre-tax parking program are established, they will continue without interruption until the deduction is terminated or changed by the employee.

Questions from individual employees should be directed to the employee's personnel/payroll office. If departments have questions or need assistance in program administration, they should contact Robert Clifford, DPA Policy Development Office on (916) 322-5714, CALNET 492-5714, RobertClifford@dpa.ca.gov.



Bob Painter, Chief  
Policy Development Office