



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 6c

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Memorandum

TO: Legislation Committee

DATE: June 5, 2009

FR: Executive Director

RE: SB 425 (Simitian): Small Business Trip Reduction Tax Deduction/Parking Cash-Out Enforcement

Description

SB 425 (Simitian) authorizes employers with 20 or fewer employees to claim a tax deduction from their corporate or personal income taxes for up to 80 percent of the cost associated with alternate commute modes, including costs in support of employees commuting by public transit, private commuter buses, vanpool, carpool, bicycle, or foot. The bill also provides a tool to help enforce the parking cash-out law by prohibiting an employer that is subject to the parking cash-out law from claiming a tax deduction for parking subsidies unless the employer complies with the law.

Recommendation: Support and Seek Amendment

Discussion

This bill is primarily aimed at enforcing the state's parking cash-out law. The bill is estimated to generate an additional \$3 million in revenue due to increased participation in the parking cash-out program since cash subsidies offered to employees are taxable, whereas a parking space is not. The bill is designed to be self-financing, such that the costs associated with the tax deduction are offset by the new revenue resulting from improved enforcement of the parking cash-out law. As drafted, the tax deduction is capped at \$1,500 per employer.

We recommend a "support and seek amendment" position on the bill to address one concern. Specifically, the bill makes eligible as a tax deduction an employer's costs associated with subsidizing employees commuting in a vanpool, a private commuter bus, providing a monthly transit pass, commuting by ferry, providing free or subsidized parking to carpools or vanpools, or making facility improvements to encourage employees to use an alternate mode. Read strictly, this could potentially exclude a transit operator that does not offer a monthly pass, such as the San Francisco Bay Area Rapid Transit District (BART). While this is clearly not the intent, to ensure that the language encompasses all public transit modes and operators, regardless of whether or not they offer a monthly pass, we recommend that the bill strike references to specific modes and instead make eligible as a tax deduction costs associated with "subsidizing employees commuting by public transit."

Known Positions

Support

American Lung Association

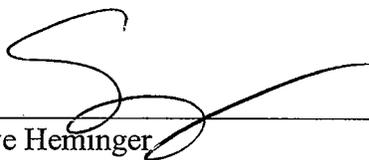
Known Positions (cont'd)

Support

Bay Area Council
Los Angeles Chamber of Commerce
Natural Resources Defense Council
Non Profit Housing Association of California
Ridespring
San Mateo County Transit District
Western Riverside Council of Governments

Oppose

None



Steve Heminger