

NEIL ABERCROMBIE
GOVERNOR



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STATE OF HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
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February 10, 2012

TESTIMONY TO THE
HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT
AND
HOUSE COMMITTEE ON TRANSPORTATION

For Hearing on Tuesday, February 14, 2012
10:30 a.m., Conference Room 309

BY

BARBARA A. KRIEG
INTERIM DIRECTOR

House Bill No. 2254
Relating to the Pretax Transportation Benefit

TO CHAIRPERSONS KARL RHOADS AND JOSEPH SOUKI AND MEMBERS OF THE
COMMITTEES:

The purpose of HB 2254 is to make permanent the pretax transportation benefit pilot program for State employees and to expand the program to all islands having a public transit system. The bill also provides for the inclusion of employees of the legislature residing in counties having a population of over five hundred thousand persons.

The Department of Human Resources Development supports the objective of making the program permanent, but respectfully **opposes the bill in its present form.**

To achieve the objective, we recommend enabling legislation similar to Section 78-30, Hawaii Revised Statutes. That statute authorizes chief executives of all jurisdictions to establish wage and salary reduction benefit programs which qualify as a cafeteria plan under federal law (e.g., flexible spending accounts, deferred compensation, etc.). The proposed legislation would provide each chief executive the flexibility to develop a pretax transportation benefit program which meets the needs of

their respective jurisdictions in accordance with the Internal Revenue Code.

We offer the following proposed language change:

"§78 - Pretax transportation benefit program. (a) Each chief executive may establish a wage and salary reduction benefit program which qualifies as a pretax transportation benefit program within the meaning of section 132 of the Internal Revenue Code of 1986, as amended. The pretax transportation benefit program shall allow eligible employees to elect to reduce their pretax compensation in return for payment by the jurisdiction of the expenses of eligible benefits.

(b) In addition to any other powers and duties authorized by law, each chief executive may enter into all contracts necessary to establish, administer, or maintain the pretax transportation benefit programs."

We caution, however, that our proposed language change is under further review by tax specialists and we will advise the appropriate committees of any updates.

The advantages to the proposed alternative above include (1) consistency in the authority and process for establishing such employee benefits, (2) providing flexibility to all jurisdictions with respect to identification of the most effective employee benefits package, and (3) availability of this benefit to all public employees, rather than only those public employees within State executive branch departments.

Thank you for the opportunity to testify on this measure.

TO: Members of the Committees on Labor & Public Employment and Transportation

FROM: Natalie Iwasa, aka Bike Mom
Honolulu, HI 96825
808-395-3233

HEARING: 10:30 a.m. Tuesday, February 14, 2012

SUBJECT: HB 2254 Relating to Pretax Transportation Benefit – Support with Amendment

Aloha Chairs and Committee Members,

Thank you for allowing me to provide testimony on HB 2254 which would require the Director of Human Resources Development to expand a pilot program offering certain pre-tax transportation fringe benefits to all counties with a population greater than 500,000.

I fully support pre-tax programs as they save employees and their employers money. Please also consider **amending this bill to allow for pre-tax commuter bicycling benefits and to include all counties**. The bicycle commuter benefit was added recently by Congress and should be included in all transportation benefit plans.

Following is additional information from the IRS:

Qualified bicycle commuting reimbursement. For any calendar year, the exclusion for qualified bicycle commuting reimbursement includes any employer reimbursement during the 15-month period beginning with the first day of the calendar year for reasonable expenses incurred by the employee during the calendar year.

Reasonable expenses include:

- The purchase of a bicycle, and
- bicycle improvements, repair, and storage.

These are considered reasonable expenses as long as the bicycle is regularly used for travel between the employee's residence and place of employment.

Exclusion from wages. You can generally exclude the value of transportation benefits that you provide to an employee during 2012 from the employee's wages up to the following limits.

- For a calendar year, \$20 multiplied by the number of qualified bicycle commuting months during that year for qualified bicycle commuting reimbursement of expenses incurred during the year.

Qualified bicycle commuting month. For any employee, a qualified bicycle commuting month is any month the employee:

1. Regularly uses the bicycle for a substantial portion of the travel between the employee's residence and place of employment and
2. Does not receive:
 - a. Transportation in a commuter highway vehicle,
 - b. Any transit pass, or
 - c. Qualified parking benefits.

yamashita2 ----Aulii

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 09, 2012 8:24 PM
To: LABtestimony
Cc: anthuriumz@hotmail.com
Subject: Testimony for HB2254 on 2/14/2012 10:30:00 AM

Testimony for LAB/TRN 2/14/2012 10:30:00 AM HB2254

Conference room: 309
Testifier position: Support
Testifier will be present: No
Submitted by: Wynn timer Hee
Organization: Individual
E-mail: anthuriumz@hotmail.com
Submitted on: 2/9/2012

Comments:

Wow! Cool! Too late for me, though. I just retired. That annual bus pass is \$660 and price will probably only go up with cost of RAIL transit, so that's a nice little tax break. There are more generous employers like Bank of Hawaii, I heard, that actually reimburse half the cost of the mass transit.