Comparing Plans

Comparing Section 132(f) Commuter Benefits Plans vs. Section 125 Flexible Spending Plans

Commuter benefit programs operate under a separate section of the Internal Revenue Code (IRC) – Section 132(f) – than most other pre-tax benefit programs with which employers are familiar. Medical savings accounts and other employee benefit flexible spending plans are covered by Section 125 of the IRC.

Section 132(f) plans are far more flexible than Section 125 plans. For employers who are accustomed to managing Section 125 plans, the different regulations for Section 132(f) plans may be a source of confusion because the two plans operate under distinctly different sets of rules, and employers cannot combine them. The differences in how the plans operate are outlined in the table below.

Compare Section 132(f) commuter plans and Section 125.

Characteristic	Section 132(f) Commuter Plans	Section 125 Flexible Spending Plans
Enrollment period	Determined by employer, usually monthly	Must be annual
Reimbursement period	Employee reserved wages must be used each month to purchase pass	Employee can be reimbursed the full amount of one year's reserved income at any time during the year
Distribution of pre-tax income remaining at end of enrollment period.	No "use-it-or-lose-it" provision since funds do not accumulate; can rollover into new plan year	Employee forfeits money (commonly known as "use-it-or-lose-it")
Employee eligibility	May be made available to any employee or groups of employees	Must meet nondiscrimination test
IRS reporting requirements	No reporting requirements	Annual reporting required
IRS plan documentation	No written plan documentation required	Written plan documentation required

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