



## Update on the New Jersey State Commuter Benefit Ordinance

On March 1, 2019, the New Jersey state legislature passed the nation's first state-wide commuter benefit ordinance, which Governor Philip Murphy then signed into law (S. 1567). This law mirrors transit benefit ordinances elsewhere that require employers to offer pre-tax transportation benefits. (New Jersey now joins San Francisco, the nine-county SF Bay Area, New York City, Washington, DC and most recently Seattle and Los Angeles, that have enacted similar laws.) The ordinance applies to all *New Jersey employers with 20 or more employees*.

This law is a win-win for employers and commuters as it can increase transit ridership, reduce congestion on our roads, and improve air quality while essentially saving both employers and employees money through reduced taxes.

The New Jersey Department of Labor and Workforce Development (DoL) is responsible for developing rules and regulations for the administration and enforcement of the law, which will take effect 365 days from the governor's signing, meaning **March 1, 2020**. At the present time, RideECO and the employer community are waiting to hear from DoL on the status of the rule writing. When finalized, these rules should provide guidelines on how to implement the regulation.

The law also requires DoL to consult with the state's eight Transportation Management Associations (TMAs)\*, transit agencies, and third-party transit benefit providers (TPAs) like RideECO to ensure the rules are compatible with current practices for commuter benefits and in compliance with federal regulations. As part of the law, NJ Transit is mandated to conduct a public awareness campaign in conjunction with the New Jersey Turnpike Authority and the South Jersey Transportation Authority that may include public service announcements on traditional and social media sites.

Until DoL releases rules, RideECO is providing the following FAQs based on what we already know from the ordinance language at this point. We will continue to update this information as we receive more news from DoL.

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**Question:** What does this mean for employers?

**Answer:** If you are an employer with 20 or more employees at a worksite in NJ (even if you are not headquartered in NJ), you will soon be required to offer a pre-tax benefit to employees at that site(s).

**Q:** What are the next steps?

**A:** In preparation for the rules to come, you can survey your staff now to get a better understanding of their transportation needs.

**Q:** Is a transit benefit program expensive?

**A:** It doesn't have to be. As a non-profit, RideECO Bulk and RideECO Select programs have fees that are consistent with other TPAs. Employers that use third party providers will see that FICA tax savings (7.65% on every dollar set aside for this benefit by the employee) typically offset fees charged by these TPAs. (Note: NJ Transit's Business Pass Program is free.)



**Q:** Is administering a transit benefit program time consuming? Can my payroll system handle it?

**A:** It depends on the program. RideECO has conducted frequent surveys and focus groups of participating companies about the time they spend on administering this benefit, and the common response is about one hour per month. Most payroll processors and payroll software are able to handle the transit benefit with little to no extra time involved, as well.

**Q:** Does a company with fewer than 20 employees have to offer the program?

**A:** The NJ Ordinance does not require it. However, from experience we know that small businesses that offer RideECO have a competitive edge over those that don't. Our surveys also show that RideECO helps attract and retain employees that might otherwise look to larger employers that do offer it.

**Q:** Are there lots of rules and reporting associated with the program?

**A:** Transit benefit programs are already very popular with New Jersey businesses. Again, our surveys show that RideECO is surprisingly easy to implement and there are no reports to file. We are pleased to assist you to set-up your program. The state's TMAs\* can also provide assistance.

**Q:** Once the rules are released, do I have to start immediately?

**A:** The Department of Labor and Workforce Development rules will establish guidelines and a timeline for implementation. The law says this must be done "in a manner that is most compatible with current practices for providing pre-tax transportation fringe benefits."

**Q:** Is this only for employees that commute to Camden or Philadelphia?

**A:** This ordinance covers *worksites in New Jersey* only. Commuters and their employees in just about every part of the state can take advantage of it. New Jersey has probably the most extensive transit network (bus/rail/vanpool) of any state in the nation. RideECO and the NJ TMAs, noted above, can help identify commuting options.

\*Transportation Management Associations (TMAs) are private, non-profit organizations, established to work with employers and governments to help provide effective and efficient commuting and other transportation options.