

Maryland Income Tax
ADMINISTRATIVE **RELEASE**

Administrative Release No. 36

**Subject: Tax Credit for Cost of Providing Commuter Benefits to Employees and
the Commuter Benefits Acts of 2000 and 2002**

I. General

Senate Bill 390, (Chapter 559) enacted into law in 1999, provides a new credit for a Business Entity for providing certain commuter benefits to its employees.

Senate Bill 244, (Chapter 357, Acts of 2000), known as the Commuter Benefits Act of 2000, expands the types of commuter benefits a Business Entity may provide to its employees who travel to or from a location in Maryland and are eligible for the credit.

The Commuter Benefits Act of 2002, (House Bill 339, Chapter 507, Acts of 2002), increased the maximum credit allowed from \$30 to \$50 per individual employee per month. This change is effective for taxable years beginning after December 31, 2001.

II. Definitions

A. “Business Entity” means:

1. A person conducting or operating a trade or business in Maryland; or
2. An organization operating in Maryland that is exempt from taxation under § 501(c)(3) or (4) of the Internal Revenue Code.

B. “Cash-in-Lieu of Parking Program” means an employer-funded program under which an employer offers to provide a cash allowance to an employee in an amount equal to the Parking Subsidy that the employer would otherwise pay or incur to provide the employee a parking space.

C. “Guaranteed Ride Home” means immediate transportation provided by a Business Entity for an employee who:

1. Receives any of the commuter benefits described in Part IV of this release or commutes by way of a nonmotorized method of transportation; and
2. Is required to leave work early for illness or other verifiable reason.

D. “Instrument” means a pass, token, fare-card, voucher, or similar item.

E. “Parking Subsidy” means:

1. The difference between the out-of-pocket amount paid by an employer on a regular basis to secure the availability of an employee parking space not owned by the employer and the price charged to the employee for use of that space; or

2. For parking owned or leased by the employer as an integral part of a larger facility, the fair market value of a parking space provided by the employer for parking commuter vehicles, as determined:

- a. By considering typical costs paid or incurred by users of nearby equivalent paid parking spaces, by evaluating the annual amortized cost of constructing and operating the parking space divided by the number of work days per year the space is ordinarily used; or
- b. By other reasonable and justifiable means.

III. Registration for Credit

A Business Entity interested in claiming the tax credits for the cost of providing commuter benefits to its employees must for each tax year:

A. Complete the Maryland Commuter Tax Credit Registration Form and submit the form to Buddy Alves, MTA Office of Marketing, 6 St. Paul Street, Baltimore, MD 21202-1614, or by fax to 410-333-2203

B. The registration form should be filed with the MTA as soon as possible after the decision is made to seek qualification for the credit, but no later than the last day of the taxable year in which the credit will be claimed.

C. The registration forms are available at the Comptroller’s offices, the MTA’s Marketing Division (call 410-767-8750 or by e-mail to balves@mtamaryland.com), and the MTA’s website at www.commuterchoicemaryland.com.

IV. Eligible Commuter Benefits

A Business Entity may claim a tax credit for the cost of providing the below commuter benefits to its employees.

A. For taxable years beginning after December 31, 1999:

1. A vanpool, if provided for the purpose of travel between the employee's residence and place of employment and the transportation is to or from a location in Maryland.

A vanpool must meet the following criteria:

a. The vehicle has seating capacity for at least 8 adult individuals; and

b. At least 80% of the annual mileage incurred is:

(1) between the employees' residences and their places of employment; and

(2) on trips where the number of employees transported is at least one-half of that vehicle's adult seating capacity.

2. An Instrument that:

a. Entitles an employee, at no added cost or at a reduced fare, to transportation to or from a location in Maryland on a publicly or privately owned mass transit system other than a taxi service; or

b. Is redeemable at a transit pass sales outlet for the purpose provided in a. above.

B. For tax years beginning after December 31, 2000, for an employee who resides or works in Maryland:

1. A Cash-In-Lieu of Parking Program; or

2. A Guaranteed Ride Home.

V. Computation of Credit

The credit equals 50% of the cost of providing the eligible commuter benefits listed in Part IV of this release. However, for tax years beginning after December 31, 1999 but before January 1, 2002, the credit allowed may not exceed \$30 per individual employee per month. For tax years beginning after December 31, 2001, the credit allowed may not exceed \$50 per individual employee per month.

The total credit allowed may not exceed the total tax otherwise payable by the business entity for that

taxable year determined after the application of any other credit, and the unused amount of the credit may not be carried over to any other taxable year.

For examples of the computation of the Commuter Tax Credit, see Part IX of this release.

VI. Application of the Credit

A Business Entity may claim a credit only against the State income tax or the insurance premiums tax. If the Business Entity is subject to more than one tax, the credit may only be applied against one of the taxes.

An organization that is exempt from taxation under §501(c)(3) or (4) of the Internal Revenue Code may apply the credit as a credit against income tax due on unrelated business taxable income; and the payment to the Comptroller of taxes that the organization is required to withhold from the wages of employees. (See Administrative Release No. 34.)

The credit may only be applied against the State income tax. It may not be claimed against the local income tax portion.

VII. Manner of Claiming the Credit

A. The credit may be taken by completing Form 500CR, Maryland Business Income Tax Credits. Any schedules used to calculate the credit amount should be maintained with the Business Entity's tax records for the tax year. The form must be attached to the Maryland individual income tax return (Form 502) in the case of an individual proprietorship. For a C corporation, the corporation must file a corporation income tax return (Form 500) and attach the Form 500CR to the return.

B. Pass-through entities, such as partnerships, S corporations, limited liability companies and business trusts, pass the credit through to their partners, shareholders, members or beneficiaries. The pass-through entity must attach to the pass-through entity income tax return (Form 510) the Business Tax Credit Form 500CR and must report on a Schedule K-1, the allocated distributive or pro rata shares of the credit. A partner, shareholder, member or beneficiary may take their distributive or pro rata shares of the credit against the tax on their applicable income tax return. A copy of the Schedule K-1 showing the amount of the credit allocated to them from the pass-through entity must be attached to their returns.

VIII. Effective Date

The tax credit for cost of providing commuter benefits to employees is effective July 1, 1999 and is applicable to all taxable years beginning after December 31, 1999. The Commuter Benefits Act of 2000 is effective July 1, 2000 and is applicable to all taxable years beginning after December 31, 2000. The Commuter Benefits Act of 2002 is effective July 1, 2002 and is applicable to all taxable years beginning after December 31, 2001.

IX. Examples for Computation of Credit

Example 1: A Business Entity has \$20,000 in expenses for eligible commuter benefits for its 15 employees during its tax year (12 months). The Business Entity may claim a credit equal to 50% of the \$20,000, which is \$10,000. However, this credit may not exceed \$50 per employee per month. The Business Entity must then calculate this limitation to determine the amount of the allowable credit. This is calculated as follows: 15 employees multiplied by total number of months (here 12 months) multiplied by \$50 equals \$9,000. (The \$9,000 is reported on Part M, Form 500CR, line 4.) The Business Entity may claim a credit amount for the lesser of \$10,000 or \$9,000. Therefore, this Business Entity is allowed to claim the commuter tax credit for up to \$9,000 for its tax year.

Note: The assumption in this example is that the number of employees that the Business Entity provided eligible commuter benefits remained at 15 for each of the 12 months.

Example 2: The Business Entity has \$20,000 in expenses for eligible commuter benefits for its employees during its tax year (consisting of 12 months). However, the number of employees for whom the eligible benefits were provided varied each month of its tax year.

The Business Entity may claim a credit equal to 50% of the \$20,000, which is \$10,000. However, this credit may not exceed \$50 per employee per month. The Business Entity calculates this as follows:

Month 1	9 employees
Month 2	9 employees
Month 3	11 employees
Month 4	11 employees
Month 5	11 employees
Month 6	14 employees
Month 7	14 employees
Month 8	15 employees
Month 9	15 employees
Month 10	15 employees
Month 11	8 employees
Month 12	+ 8 employees
	TOTAL employee months: 140
	140 x \$50 = \$7,000
	\$7,000 is reported on Part M, Form 500CR, line 4.

The Business Entity may claim a credit amount for the lesser of \$10,000 or \$7,000. Therefore, this Business Entity is allowed to claim a credit up to \$7,000 for its tax year.

Revised: September 2009



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www.marylandtaxes.com

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