



SEATTLE COMMUTER BENEFITS ORDINANCE

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WASHINGTON HOSPITALITY ASSOCIATION
AND ALICE

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ARE YOU PREPARED FOR SEATTLE'S COMMUTER BENEFITS ORDINANCE?

What is the Seattle Commuter Benefits Ordinance?

Starting on Jan. 1, 2020 companies in Seattle with 20 or more employees will be required to offer pre-tax commuter benefits to their employees. Employers that fail to comply are subject to penalty, which is outlined further on page four of this report. *Enforcement begins Jan. 1 2021.*

If you averaged 20 or more employees who've worked for your company in the previous calendar year, and any of your employees are working in the city of Seattle more than 10 hours per week, you are required to comply. This applies to all employment types:

- Full-time or part time
- Joint, temporary or seasonal
- Those through a staffing agency or similar entity

Why the law?

Other cities including New York, San Francisco and Washington DC have enacted similar laws but the ordinance was really designed to reduce traffic congestion in Seattle and to reduce carbon emissions.

How to comply?

One way to comply with the new ordinance is to subsidize all or part of the purchase price of transit passes for covered employees. As of this writing, "the part of" subsidy has not been defined but will be later this year. You can safely assume that if you pay for all your employees' transit passes, you're already compliant.

The other and probably more common way to comply is for employers to offer pre-tax commuter benefits for transit and vanpool expenses consistent with the Federal Commuter and Transit Benefit Programs which have been available for many years.

What is the federal program?

It's a program that's been around for nearly 40 years. Nationally, only 25% of all workers and 3% of hourly workers utilize these federal programs. This federal program allows an individual employee to make a pre-tax deduction up to \$265/month for eligible transit expenses.

Pre-tax means that an employee will benefit by not having to pay income taxes on these dollars or have payroll taxes taken out of these dollar amounts. For example, if the employee tax bracket is 25% and FICA at 7.65%, this is easily over a 30% savings for employees.

What are the benefits for employers?

There's a benefit for employers to offer the Federal programs. When an employee saves pre-tax for eligible expenses, the employer does not have to pay payroll taxes on their portion of the pre-tax dollars. The largest of these is FICA at 7.65% but typically an employer would also not have to pay SUTA as well. It amounts to about an 8% cost savings for an employer. This means for every \$100 that an employee saves pre-tax, the employer will save \$8.

Offering these programs has financial benefits for both the employee and employer.

What types of transportation are included as part of the commuter benefit?

Seattle Compliant

- Bus
- Light rail
- Commuter train
- Vanpool
- Ferry
- Water taxi
- Streetcar

Federal-Not Seattle Compliant

- Uber Pool/Lyft Share
- Parking at a meter for work
- Parking lot expenses for work

As the employer, you must offer all employees who work more than 10 hours per week either the subsidy for the transit or the pre-tax commuter benefits program within their first 60 days of employment.

If you offer pre-tax deductions and the employee elects the pre-tax deduction, as an employer you must provide the deduction within 30 days after election.

What's the penalty if an employer doesn't comply with the ordinance?

The penalty for failing to comply with the ordinance may be a fine of \$500 per violation. Companies that aren't compliant during the 90-day violation window will be charged with subsequent violations and will have to pay an additional penalty every 30 days until they become compliant. This legislation will be enforced by the Seattle Office of Labor Standards (OLS).



Do all employees need to participate in the commuter benefit program?

What if one or more of your employees don't want to participate in the commuter benefits? As an employer, as long as you offer a commuter benefits program subsidy or transit pass and document and keep proper records of employees participating and non participants you are in compliance with the ordinance.

Documentation is key:

In addition to offering the commuter benefits, employers are required to keep records that document compliance with the ordinance, including any and all written documentation of the employer's offer of pre-tax deduction subsidy or transit pass to individual employees.

OLS strongly encourages employers to retain documentation of an employee's response to the benefits offer as it may be required to exhibit compliance. Employers must keep these records for three years. Starting Jan. 1, 2020, employers must display a poster in the workspace that provides employees notice of their commuter benefits rights. This notice must be displayed in English along with other primary languages of employees. This poster will be made available by OLS later this year.

Successfully navigating and managing the ordinance

Ensuring compliance can be a daunting, cumbersome and time consuming responsibility as employers need to manually track and monitor all requirements in house.

Through Washington Hospitality Association, a pre-tax commuter benefits provider will be provided to all members at no cost to your business.

As an added benefit for members, the association has partnered with Alice, a leader in pre-tax benefits spending.

Alice provides solutions that completely automate pre-tax benefits and don't require any ongoing HR administration or maintenance.

Additional benefits of Alice

Along with Alice coming at no cost and no setup or maintenance fees, Alice has further simplified commuting expenses by allowing employees to register their normal everyday spending cards – debit, credit or payroll cards as opposed separate dedicated cards. Employees can also register and use multiple cards for their commuting expenses.

Through their automated technology, Alice identifies all of the potential eligible transactions for commuting expenses, sends a text to the employee to validate the detected expenditure and handles all the payroll updates for the employer.



This creates a simple, hassle-free and seamless experience for both employees and employers. Another great feature is that Alice can have your business setup and running within minutes.

To find out more or to get started using Alice at no cost please contact a dedicated Washington Hospitality Association representative.



Washington Hospitality Association
P: 800.225.7166 | Local: 360.956.7279
<https://wahospitality.org>

Alice
P: 718-313-3486
E: hello@thisisalice.com
<https://www.thisisalice.com>



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