

NEW JERSEY

Groundbreaking New Jersey Transit Benefit Law

New Jersey Governor, Phil Murphy broke new ground on March 1, 2019, by signing a new law that makes New Jersey first to state to enact a Transit Benefit law. While other local cities which have adopted similar benefits (such as New York and San Francisco), this is the first time that such a bill has been enacted statewide.

This new law, Senate Bill 1567, the "NJ Transit Benefits Law," is "An Act concerning pre-tax transportation fringe benefits." The new bill intends to decrease the amount of money that employees commuting in New Jersey have to pay for costs like travel fares and parking costs. Since this transportation fringe benefit will be pre-tax, it will also have the added perk of being a tax saving.

To whom does this new law apply?

This new law applies to all employers that have at least 20 employees who are not unionized with a collective bargaining agreement and are not employees of the federal government.

Definition of this new required Benefit:

This pre-tax transportation fringe benefit is based on the IRS, Section 132(f)(1) code, relating to transit passes, parking expenses, and commuter highway benefits. The requirement of this new law stated that it must be provided at the maximum amount that is allowed by the IRS, which is \$265 per month for commuter highway vehicle benefits and transit passes, and \$265 per month for qualified parking expenses.

When does this Law Take Effect?

When Governor Murphy signed the bill on March 1, 2019, it was immediately put into effect. However, it contained a caveat that makes it inoperative in terms of assessing any penalties to employers who are not in compliance until March 1, 2020. However, it is recommended that employers take steps toward immediate compliance as soon as possible.

Potential Penalties can be issued:

For first time violations, employers will be given 90 days to comply with giving their employees this benefit. Employers who do not comply within this time frame, and who are cited for not complying with this law, will be fined for at least \$100, but not more than \$250. Employers who continue to not follow this law after the initial fine will receive a further \$250 penalty for each 30-day period in which they continue not to comply.

Recommendations:

While fines for noncompliance will not be issued until March 1, 2020, it is recommended that employers prepare to comply with this new law as soon as they can. Employers need to begin preparing their budget and practices for this new required benefit and may need to work with third-party agencies in order to implement this benefit.