

Anchin Alert

Anchin, Block & Anchin LLP
Accountants and Advisors

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IRS Retroactively Increases Transit Benefits

The Tax Increase Prevention Act of 2014 extended the provision allowing employees to exclude from gross income up to \$250 a month for transit passes. This provision was extended only through 2014, and is scheduled to return to \$130 a month thereafter.

In order to reduce administrative burden, the IRS is providing a special administrative procedure for employers that treated the excess transit benefits (amounts in excess of \$130 but not more than \$250 per month) as wages and that have not yet filed their fourth quarter Form 941 for 2014. Employers who desire to use this special administrative procedure must repay or reimburse their employees for the over-collected FICA tax (including any Additional Medicare Tax) on the excess transit benefits for all four quarters of 2014 on or before filing the fourth quarter Form 941, due February 2, 2015. This procedure can only be used to the extent that employers have repaid or reimbursed their employees for the employee share of FICA tax attributable to the excess transit benefits.

Employers that have already filed their 4th quarter Form 941 or 2014 Forms W-2 will need to follow normal correction procedures using Form 941-X for each quarter in 2014 for which FICA tax was overcollected, and Forms W-2c to take into account the increased exclusion for transit benefits.

For more information, contact your Anchin relationship partner or Clarence Kehoe, Partner-in-Charge of Anchin's Tax Department, or Richard Stieglitz, Tax Partner, at 212.840.3456.



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