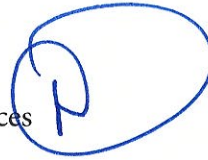


# Memorandum

**To:** ALL EMPLOYEES  
**From:** Mr. Dion M. Davis, Director of Human Resources  
**Date:** MAY 1, 2023  
**Re:** WINSLOW TOWNSHIP SCHOOL DISTRICT



## SECTION 132 QUALIFIED TRANSPORTATION AND PARKING FRINGE BENEFIT

Per State of New Jersey A245, the Winslow Township School District employees will have the opportunity to enroll in the Section 132 Qualified Transportation Fringe Benefit Plan. Below is a short summary of each option and the Election and Claim Form used for each option.

Please take some time to read this information, so that any questions can be addressed and answered in a timely manner. Questions can be directed to myself or Rona Kerbaugh at Bowman & Company LLP (856) 821-6865 or via email at ([rkerbaugh@bowman.cpa](mailto:rkerbaugh@bowman.cpa)).

Please note that the Section 132 Transportation Fringe Benefit plan is not part of the Section 125 Cafeteria Plan, even though they are very similar.

### Transportation Benefits Plan -

1. Parking - The purpose of this plan is to permit each eligible employee, subject to some limitations, to pay for work-related parking expenses near your employer's place of business, or in a parking lot from which you commute to work by vanpooling or carpooling.

2. Mass Transit / Vanpool - The purpose of this plan is to permit each eligible employee, subject to some limitations, to pay for work-related Mass Transit and vanpooling expenses. This can include transportation provided by the employer or by a company in the business of vanpooling.

As employees incur expenses, they can submit a claim form along with receipts for reimbursement.

Your election(s) will commence with July 1, 2023, and will be for the plan year ending June 30, 2024. Any election changes during the plan year must be received prior to the first of each month. Any election form received after the first of month will not commence until the following month.

For your review, attached is the following information:

- Salary Reduction Agreement Form – This Form should be completed to make changes in the Qualified Transportation Fringe Benefit Plan.
- Qualified Transportation Plan Claim Form
- Questions and Answers

THE PARTICIPANT WEBSITE <https://bowman.lh1ondemand.com> WILL BE AVAILABLE AFTER THE ENROLLMENT PROCESS. PLEASE CONTACT [rkerbaugh@bowman.cpa](mailto:rkerbaugh@bowman.cpa) FOR USERNAME AND PASSWORD OR IF YOU HAVE ANY QUESTIONS.





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# Transportation Fringe Benefit Plan Summary

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## INTRODUCTION

Winslow Township Board of Education (the Board) is pleased to sponsor the Transportation Fringe Benefit Plan" (the Plan), which helps employees save money on their transportation expenses by allowing them to pay for those expenses on a pre-tax basis. Under the Plan, eligible employees elect transportation benefits and agree to enter into a compensation reduction arrangement. A compensation reduction arrangement allows employees to contribute on a pre-tax basis instead of receiving the same amount of regular pay. You save Social Security and income taxes on the amount of your compensation reduction, and you pay no Social Security and income taxes on the benefits you receive or on any contributions the Board makes toward those benefits.

This Summary describes the basic features of the Plan, how it operates, and how you can get the maximum advantage from it. This is only a summary of the key parts of the Plan and a brief description of your rights as a Participant (*defined* in Q-4); it is not part of the official Plan documents. If there is a conflict between the Plan documents and this Summary, the Plan documents will apply.

This version of the Summary describes the Plan as in effect for the plan year beginning on July 1, 2023.

### **Q-1. What is the purpose of the Plan?**

The purpose of the Plan is to allow *Eligible Employees* (defined in Q-4) to pay for *Transportation Benefits* (defined in Q-3) with pre-tax dollars contributed through employee compensation.

### **Q-2. What are "Transportation Benefits"?**

Transportation Benefits provided by the Plan generally take the form of reimbursements for eligible Transportation Expenses (defined in Q-19). For Transit Pass Benefits, however, you may be issued transit passes or a Smartcard that allows you to pay Transit Pass Expenses without having to request reimbursement. You make an election which comes out of your regular pay by entering into a compensation reduction agreement. This arrangement helps you because both your compensation reduction and the benefits you elect are not subject to federal income or employment taxes, saving you Social Security and income taxes on the amount of your compensation reduction. See Q-5.

### **Q-3. What specific Transportation Benefits are provided by the Plan?**

The Plan offers the following Transportation Benefits:

- Transit Pass Benefits-permit Employees to pay, with pre-tax dollars, the cost of qualifying Transit Pass Expenses (defined in Q-19) for mass transit passes, farecards, vouchers, etc. for commuting to work;
- Commuter Highway Vehicle (Vanpool/) Benefits-permit Employees to pay, with pre-tax dollars, for their qualifying Commuter Highway Vehicle Expenses (defined in Q-19) for commuting to work; and
- Qualified Parking Benefits-permit Employees to pay, with pre-tax dollars, the cost of Qualified Parking Expenses (defined in Q-19).

The Plan only reimburses transportation expenses that cover a period of one month or more.

#### Q-4. Who can participate in the Plan?

Employees who can incur Transportation Expenses that are reimbursable by the Plan are known as Participants. To become a Participant in the Plan you must be an Eligible Employee.

"Eligible Employee" means an Employee who is regularly scheduled to work at least 20 hours per week and has been employed by the Board for at least the previous 30 consecutive calendar days.

"Employee" means an individual that the Board classifies as a common-law employee and who is on the Board's W-2 payroll, except that the term does not include any leased employee, or any individual classified by the Board as a contract worker, independent contractor, temporary employee, or casual employee. "Employee" also does not include any individual who performs services for the Board but who is paid by a temporary or other employment or staffing agency; any employee covered under a collective bargaining agreement; any self-employed individual; any partner; or any more-than-2% shareholder of a Subchapter S corporation.

You become a "Participant" on the first day of the first Period of Coverage that begins on or after the day you become an Eligible Employee. So, for example, if you were hired as a full-time employee on April 1 and completed 30 consecutive calendar days of employment with the Board on April 30, you would become a Participant on May 1, provided you were still an Eligible Employee on that day. If, for any reason, you are not an Eligible Employee on that first day of the Period of Coverage, you will become a Participant as soon as you are an Eligible Employee on the first day of a Period of Coverage.

"Period of Coverage" means a calendar month.

Once you become a Participant, you will remain a Participant until (a) you cease to be an Employee; (b) you cease to be an Eligible Employee and your Transportation Account (defined in Q-16) balance falls to zero; or (c) the Plan terminates.

To make compensation reductions and benefit from employer contributions for any Period of Coverage, you must be both a Participant and an Eligible Employee. If you remain a Participant after losing your Eligible Employee status, you will still be able to get Transportation Benefits under the Plan, but only until you exhaust your Transportation Account.

#### Q-5. What tax savings would I gain by participating in the Plan?

You save both federal income tax and FICA (Social Security and Medicare) taxes by participating in the Plan. Following is an example of the tax savings you might experience as a result of participating in the Plan.

Suppose that you pay \$100 per month for parking on or near the Board's premises. Your monthly take-home pay (based on the assumptions indicated below) will be \$1,834 if you pay your parking costs on an after-tax basis, and \$1,856 if you pay instead on a pre-tax basis. (This is because if you participate in the Plan, you will be considered for tax purposes to have received \$2,400 gross pay for the month (rather than \$2,500), with \$100 contributed for transportation benefits.) So, you save \$22 per month (\$264 annually) by participating in the Plan. The Table below illustrates this savings.

	<b>With Transportation Plan</b>	<b>Without Transportation Plan</b>
Gross Monthly Pay	\$2,500	\$2,500
Pre-Tax Transportation Expense Under Plan	100	n/a
Taxable Income	2,400	2,500
Estimated Federal Tax (15%)	360	375
FICA Tax (7.65%)	184	191
After-Tax Transportation Expense	n/a	100
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Take-Home Pay	\$1,856	\$1,834

Of course, your actual tax savings will vary depending on your circumstances. Additional tax savings might be available under state and local law (e.g., there may be state income tax savings too).

**Q-6. How do I get benefits under the Plan?**

To benefit from the Plan, you must elect one or more of the benefits available under the Plan and agree to compensation reductions to the cost of the benefits you elected. (The cost of a Transportation Benefit is the monthly benefit amount you elected. You make that election and agree to the required compensation reductions by completing and signing an Election Form/Compensation Reduction Agreement and turning it in to the Human Resources Office prior to the beginning of the Period of Coverage when benefits will begin. The exact deadline is determined by the Administrator of the Plan (*Administrator*). If you delay returning your Election Form Compensation Reduction Agreement, that may delay the start of your benefits. You do not have to make an election and begin contributing as soon as you become eligible to do so. As long as you remain a Participant and an Eligible Employee, you will be able to elect benefits in any future Period of Coverage. You will be reminded of your opportunity to file an election and invited to make a benefit election or change your election during an annual Open Enrollment Period.

**Q-7. What is the "Open Enrollment Period"?**

The Open Enrollment Period for a Plan Year generally will be June of the previous Plan Year. You will be notified of the duration of the Open Enrollment Period. Before the Open Enrollment Period, all Participants who are Eligible Employees will be provided a copy of the Election Form/Compensation Reduction Agreement. Elections made during the Open Enrollment Period become effective on the next July 1st.

The "Plan Year" is the period beginning on July 1 and ending on June 30.

**Q-8. Other than Open Enrollment, when can I change my election?**

Generally, you cannot change your benefit election or vary the compensation reduction amounts that you have selected during a Period of Coverage (this is known as the irrevocability rule). However, your election will terminate when you cease working for the Board or are no longer eligible (see Q-9).

You can change your election for future Periods of Coverage by submitting a new Election Form/Compensation Reduction Agreement, provided that the change is made before (a) the beginning of the Period of Coverage and (b) the date you receive or use benefits for that Period of Coverage. Your new election will be effective on the first day of the Period of Coverage after the Board processes the change.

**Q-9. What happens if, after I become a Participant, my employment ends, or I stop being an Eligible Employee for other reasons?**

If your employment with the Board is terminated, you will cease to be a Participant and you will not be able to make any more contributions to the Plan, nor will you continue to receive benefits under the Plan. (You may, however, still be able to get reimbursed for expenses incurred before your participation ended. See Q-21 and Q-26.) If you are rehired, you will be treated the same as any other new Employee for purposes of the Plan; your past service will be disregarded, and you will have to complete 30 consecutive days of employment before you can become a Participant again.

If you cease to be an Eligible Employee for any other reason (such as a reduction of hours) but you remain a Participant, you will not be able to make any more contributions to the Plan and you will not be credited with any more employer contributions, but you will continue to be able to use your Transportation Account balance to receive benefits under the Plan until it is exhausted-at which time you will cease to be a Participant.

If you become an Eligible Employee again before your employee status is lost, your ability to elect benefits and make contributions will be restored for future Periods of Coverage in which you are a Participant and an Eligible Employee.

**Q-10. Will I pay any administrative costs under the Plan?**

No. The Plan's administrative costs are paid entirely by the Board.

**Q-11. How long will the Plan remain in effect?**

Although the Board expects to maintain the Plan indefinitely, it has the right to amend or terminate all or any part of the Plan at any time for any reason. It is also possible that future changes in state or federal tax laws may require that the Plan be amended.

**Q-12. What happens if my claim for benefits is denied?**

If your claim for benefits is denied in whole or in part, you will be notified in writing by the Administrator within 90 days of the date the Administrator received your claim. Upon receipt of an adverse benefit determination, you must within 60 days appeal the denial to the Administrator (seeking reconsideration of the denial). This appeal step is a prerequisite to pursuing any other avenues of relief.

**Q-13. How will participating in the Plan affect my Social Security and other benefits?**

Plan participation will reduce the amount of your taxable compensation. Accordingly, there could be a decrease in your Social Security benefits and other benefits (e.g., pension, disability and life insurance) which are based on taxable compensation. However, the tax savings that you realize through Plan participation will often more than offset any reduction in other benefits.

**Q-14. How are my Transportation Benefits paid?**

Funding varies according to the type of Transportation Benefits that you elect (Transit Pass(es), Commuter Highway Vehicle, and/or Qualified Parking Benefits) and your employment status, as described below.

If you elect Transit Pass Benefits, you complete the Election Form/Compensation Reduction Agreement, you specify the cost that will be paid with pre-tax compensation reductions. From then on, election amount will be deducted from your paychecks on a pre-tax basis, as described in Q-15.

If you select Commuter Highway Vehicle Benefits, all Participants will pay with pre-tax compensation reductions made pursuant to their Election Form/Compensation Reduction Agreements.

If you select Qualified Parking Benefits, all Participants will pay with pre-tax compensation reductions made pursuant to their Election Form/Compensation Reduction Agreements.

**Q-15. How are my compensation reduction amounts calculated?**

Your compensation reduction for a bi-monthly pay period for the Transportation Benefits that you elect will be an amount equal to (a) the monthly cost of all the Transportation Benefits you elected, (b) multiplied by the number of Periods of Coverage (i.e., months) remaining in the Plan Year, (c) divided by the number of pay periods remaining in the Plan Year. (So, solely for purposes of computing compensation reduction amounts for the Plan, there are 20 pay periods in a full Plan Year.)

Here's an example of how this works: Suppose that, effective March 1, 2017, you have elected to be reimbursed for up to \$180 per month for Qualified Parking Expenses, you have chosen no other Transportation Benefits. Your compensation reduction for each pay period will be \$90. This was calculated as follows:

(a) \$1,800 (that is, \$180 times 10 (the number of months remaining in the Plan Year)), (b) divided by 20 (the number of pay periods remaining in the Plan Year).

**Q-16. What is my "Transportation Account"?**

If you elect Transportation Benefits, an account called a Transportation Account will be set up in your name to keep a record of the reimbursements you are entitled to, as well as the pre-tax Compensation Reductions you have paid for such benefits during the Plan Year and any Board contributions toward your benefits. Your Transportation Account is merely a recordkeeping account. It is not funded (all reimbursements are paid from the general assets of the Board) and it does not bear interest. Separate subaccounts will be maintained for each Transportation Benefit you elect.

**Q-17. What are the maximum Transportation Benefits that I may elect?**

You may choose any amount of Transportation Expenses reimbursement that you wish under the Plan, subject to the maximum reimbursement amounts described below.

The maximum amount that may be contributed to your Transportation Account cannot exceed the maximum amount specified in Code § 132(t). For 2023, the maximum monthly amounts are-

- Qualified Parking Expenses: \$300 per month; and
- Transit Passes and Commuter Highway Vehicle Expenses (combined total): \$300 per month.

The amounts for future years may be adjusted for inflation. If the adjusted amounts are then known, they will be made available at the time of the Plan's Open Enrollment Period.

#### **Q-18. What amounts will be available for reimbursement at any particular time during a Period of Coverage?**

The amount available for reimbursement of Transportation Expenses at any particular time will be limited by the applicable balance of your Transportation Account at the time your claim is paid. Using the example in Q-15, suppose that you paid \$300 of Qualified Parking Expenses by April 2 (\$150 for March and \$150 for April). At that time, the Qualified Parking portion of your Transportation Account would only have been credited with \$180 (\$90 times 2 pay periods), so only \$180 would be available for reimbursement as of April 2 (assuming that you had not received any prior reimbursements). You would have to wait to submit the remaining \$120 of Transportation Expenses until after you had received the appropriate credits to your Transportation Account.

#### **Q-19. What are "Transportation Expenses"?**

"*Transportation Expenses*" are the expenses you incur or pay that are reimbursable under the Plan if you are a Participant at the time the Transportation Benefit is provided to you. (Transportation Benefits are provided on the date you receive a Transit Pass (as defined below) or similar item, or in any other case, the date you use the Transportation Benefit.) Reimbursable Transportation Expenses are limited to *Transit Pass Expenses*, *Commuter Highway Vehicle Expenses* and *Qualified Parking Expenses*, which are defined as follows:

*Transit Pass Expenses* are expenses incurred or paid for a pass, token, fare card, voucher, or similar item (*Transit Pass*) for transportation (a) on mass transit facilities (such as train, bus, subway or ferry), whether or not publicly owned; or (b) provided by any person in the business of transporting persons for compensation or hire if such transportation is provided in a vehicle with a seating capacity of at least six adults (excluding the driver).

*Commuter Highway Vehicle (Vanpool) Expenses* are expenses incurred or paid for transportation in a Commuter Highway Vehicle if such transportation is in connection with travel between your residence and place of employment. A Commuter Highway Vehicle is any highway vehicle with a seating capacity of at least six adults (not including the driver) and for which at least 80% of the mileage for a year is (a) for purposes of transporting employees in connection with travel between their residences and their places of employment, and (b) on trips during which the number of employees transported for such purposes is at least half of the adult seating capacity of the vehicle (not including the driver).

*Qualified Parking Expenses* are expenses incurred or paid for parking at or near your regular place of Employment with the Board, or expenses incurred to park your car at a location from which you commute to your regular place of employment by (a) carpool; (b) a Commuter Highway Vehicle; (c) mass transit facilities; or (d) transportation provided by any person in the business of transporting persons for compensation or hire, if such transportation is in a Commuter Highway Vehicle.

Be sure to ask the Administrator for help if you have any doubts about which expenses are-and are not-reimbursable. You may not submit expenses incurred by anyone other than you.

#### **Q-20. When are Transportation Expenses "incurred" or "paid"?**

For Transportation Expenses to be reimbursed, they must have been *incurred* or *paid* while you are a participant. A Transportation Expense is *incurred* when the service that gives rise to the expense is provided. A Transportation Expense is *paid* when you formally pay for the service; it is not paid when you are formally billed for or charged for the service. You may not be reimbursed for any Transportation Expenses arising before the Plan became effective, before your Election Form/Compensation Reduction Agreement became effective, or for any expenses incurred or paid after a separation from service. You also cannot carry forward unreimbursed expenses to a future Period of Coverage. (See Q-25.)



**Q-21. What must I do to be reimbursed for my Transportation Expenses?**

You will have to take certain steps to be reimbursed for your Transportation Expenses. When you incur an expense that is eligible for payment, you must submit a claim to the Administrator on a *Reimbursement Request Form* that will be supplied to you. You must also include bills, invoices, statements from an independent third party, parking receipts, used transit passes or any other evidence of payment showing the amounts of such payments, together with any additional documentation that the Administrator may request, showing that the Transportation Expenses have been incurred or paid and the amount of such Transportation Expenses. Please note that, by law, the administrator may not be able to reimburse you for the expense of a Transit Pass if a "voucher" (or something similar) is readily available.

You will have up to 180 days after the date on which the Transportation Expense was incurred or paid in which to submit a claim for reimbursement. However, if following the date on which the Transportation Expense was incurred or paid you cease to be a Participant in the Plan (e.g. because of termination of employment), you will only have up to the earlier of 180 days after the Transportation Expense was incurred or paid, or 90 days after the date you ceased to be a Participant, to submit a claim for reimbursement. You will be notified in writing if any claim for benefits is denied. (See Q-12.)

If there are enough credits to your Transportation Account, then you will be reimbursed for your eligible Transportation Expenses within 60 days after the date you submitted the Reimbursement Request Form. If you submit a request for reimbursement that is less than \$25, it will be carried forward and combined with future requests until the reimbursable amount is \$25 or greater. If your account balance is less than \$25, then the entire amount of the reimbursable requests will be paid after the close of the Plan Year.

**Q-22. What if I overestimate my Transportation Expenses?**

If your reimbursement request was for less than your current Transportation Account balance, the unused amounts in your Transportation Account will roll over and be available for future expenses, so long as you continue to participate in the Plan. You may need to adjust the election for the next monthly Period of Coverage in order to use up your surplus Transportation Account balance. For example, if your monthly parking election (and anticipated monthly expense) is \$100, but you only incur \$75 worth of Transportation Expenses in January, you might want to change your election for February to \$75 in order to use up the \$25 surplus from January. Then you can increase your election back to \$100 for March, prior to March 1.

**Q-23. What if I underestimate my Transportation Expenses?**

You cannot carry forward unreimbursed expenses from one monthly Period of Coverage to another. If your transportation expenses during a monthly Period of Coverage exceed your Transportation Account balance (including your credits for that month and any balance carried forward from prior months), you cannot be reimbursed for the excess expense. For example, if you begin participating in April with an election of \$100 and then incur Qualified Parking Expenses for April in the amount of \$150, you may be reimbursed for \$100 of the April parking expenses, but you cannot seek reimbursement of the excess \$50 in parking expenses out of any future month's credits.

Also, see Q-18, which addresses what to do if you seek reimbursement for an expense before all compensation reduction amounts for that monthly Period of Coverage have been credited.

**Q-24. When would I risk forfeiting my Transportation Benefits?**

If you have any amounts credited to your Transportation Account at the time you terminate employment or stop being eligible for any other reason, any portion not used for Transportation Expenses incurred or paid prior to the termination will be forfeited. Also, any Transportation Account benefit payments that are unclaimed (for example, uncashed benefit checks) by the close of the Plan Year following the Plan Year in which the Transportation Expense was incurred or paid shall be forfeited. All amounts described as forfeited shall be forfeited to the Board.

**Q-25. Will I be taxed on the Transportation Benefits I receive?**

Generally, you will not be taxed on your Transportation Benefits-up to the limits set out in Q-17. However, the Board cannot guarantee that specific tax consequences will flow from your participation in the Plan. The tax benefits you receive depend on the validity of the claims you submit. For example, to qualify for tax-free treatment, your Transportation Expenses must be Qualified Parking Expenses, Commuter Highway Vehicle Expenses, or Transit Pass Expenses as defined in the Code. If you are reimbursed for a claim that is later determined not to be for Transportation Expenses, you will be required to repay the amount. Ultimately, it is your responsibility to determine whether each payment to you under this Plan is excludable for tax purposes. You may wish to consult a tax advisor.

**Q-26. Can I submit my transportation expenses for reimbursement under our cafeteria plan?**

No. The Board is not allowed by law to reimburse your eligible transportation expenses under the cafeteria plan. You can only submit them through this Plan.

**Q-27. What other general information should I know?**

This Section contains certain general information that you may need to know about the Plan.

**General Plan Information**

- Winslow Township Board of Education "Transportation Fringe Benefit Plan" is the name of the Plan.
- The plan was established effective as of July 1, 2020. The provisions of the Plan as described in this Summary apply for the plan year commencing on July 1, 2023.

**Plan Administrator Information**

- The name, address, and business telephone number of the Administrator of your Plan are:

**Winslow Township Board of Education  
40 Cooper Folly Road  
Atco, NJ 08004  
856-767-2850**

- The Administrator appoints the Human Resources Manager to keep the records for the Plan and to be responsible for the administration of the Plan. The Human Resources Manager will answer any questions you may have about our Plan. You may contact the Human Resources Manager at the above address for any further information about the Plan.