

## Comparison of Sections 125 & 132(f)

- Pre-tax benefits programs are treated under two sections of tax law:
  1. 132(f) (transportation)
  2. 125 (health care and other cafeteria plans)
- Section 132(f) is simpler, easier to administer (fewer rules, documentation and forms) and more flexible allowing employee enrollment as often as monthly
- 132(f) and 125 funds cannot be combined or co-mingled

	Section 132 (f) Transportation	Section 125 Health Care
<b>Purpose</b>	Allow employees to reserve pre-tax income for qualified transportation (bus, train, ferry, vanpool)	Allow employees to reserve pre-tax income for benefit programs, generally health care
<b>Enrollment Period</b>	Determined by employer	Must be annual
<b>Distribution of remaining pre-tax income</b>	No "use-it-or-lose-it" provision. Funds do not generally accumulate as they are used monthly for fare media	Employee forfeits money (use-it-or-lose-it)
<b>Employee eligibility</b>	May be available to any employee or group of employees	Must meet non-discrimination test
<b>Reporting requirements</b>	No reporting requirements	Annual reporting required to IRS
<b>Written plan</b>	No written plan documentation required	Written plan documentation required to IRS