

# Policy Memorandum

FISCAL  
RESEARCH  
CENTER

GEORGIA STATE UNIVERSITY  
ANDREW YOUNG SCHOOL OF POLICY STUDIES  
FISCAL RESEARCH PROGRAM  
January 17, 2001

**REVENUE ANALYSIS:** State Corporate Income Tax Credit for Federal Qualified Transportation Fringe Benefits

**Analysis Prepared by William J. Smith**

## Issue

Both federal and state agencies have initiated tax policies intended to reduce commuter traffic in single occupancy vehicles (SOV). Currently the federal government allows employees to exempt up to \$65 per month (\$780 per year) in federally approved commute benefits *this extends to the Georgia personal income tax due to the coupling nature of Georgia's income tax*. Georgia currently has 13 counties, all in the Atlanta Metropolitan Statistical Area, that are in ozone non-attainment, a situation attributed primarily to automobile traffic. In addition, other metropolitan counties outside the Atlanta area are at risk of falling into non-attainment status. In 1999 Georgia's state tax code was amended to allow \$25 per employee per year tax credit for "federal qualified transportation fringe benefits."

## Revenue Impact

We estimate the revenue cost of a state tax credit for federal qualified transportation fringe benefits as follows:

### REVENUE ESTIMATE: STATE EMPLOYEE TAX CREDIT FOR FEDERAL QUALIFIED TRANSPORTATION FRINGE BENEFITS

Eligibility	Annual Credit Value	Estimated Year 1 Tax Loss*
All Georgia Counties	\$120.00	\$922,330
All Georgia Counties	\$240.00	\$3,689,320
All Georgia Counties	\$360.00	\$8,300,970
Non-Attainment Counties	\$120.00	\$447,044
Non-Attainment Counties	\$240.00	\$1,788,175
Non-Attainment Counties	\$360.00	\$4,023,393
Firms with 100+ Employment	\$120.00	\$459,037
Firms with 100+ Employment	\$240.00	\$1,836,149
Firms with 100+ Employment	\$360.00	\$4,131,335
Firms with 100+ Employment within Non-Attainment Counties	\$120.00	\$222,490
Firms with 100+ Employment within Non-Attainment Counties	\$240.00	\$889,962
Firms with 100+ Employment within Non-Attainment Counties	\$360.00	\$2,002,414

\* The revenue cost will increase by approximately 3 percent per year after year 1.

#### Assumptions:

Average commuting cost of \$85 per month for SOV ( <http://www.perimetergo.org/commutecosts.htm>).

Average trip distance of 15 miles (Atlanta Regional Commission).

Distribution of corporate and non-corporate firms are geographically similar.

Firms with less than 10 workers are non-corporations.

Firms with more than 10 workers are corporations.

Only corporations with corporate income tax liability will file for the tax credit; however, among firms with corporate tax liability all firms eligible will file for the credit.

The proposed credit will not offset any portion of the current credit.