



TRANSPORTATION INCENTIVE PROGRAM NEWSLETTER

OUTSIDE THE NATIONAL CAPITOL REGION

ISSUE:
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UPCOMING ENROLLMENT DEADLINES:



Next:
Tuesday, May 24, 2011

Future:
Friday, June 24, 2011
Tuesday, July 26, 2011

QUESTION OF THE MONTH:

Can Federal employee vanpool drivers receiving compensation for driving the vanpool also receive the TIP benefit?

No, compensated drivers are not eligible to receive a TIP benefit.

GET ME A VANPOOL THESE GAS PRICES ARE CRAZY!

"These gas prices are breaking my budget!" "Pretty soon, I am not going to be able to afford my commute!" If you have employees feeling this way, it may be time for them to consider using mass transit.

Vanpools are becoming increasingly popular as the price of gas continues to rise. As more employees begin investigating what it takes to start-up a vanpool, the number of questions about exactly what qualifies as a vanpool may increase. So what does qualify as a vanpool? "Can I be reimbursed to use the family minivan as an official vanpool?" Unfortunately, the family minivan used to haul the kids to and from the soccer field on Saturday is not eligible to be used as a vanpool in the Transportation Incentive Program (TIP). The commuter highway vehicle used for the vanpool must be leased or rented from a local transit authority or a "for-profit" private vanpool company. Internal Revenue Code (IRC) 26 Section 132(f) requires vanpools to meet the following requirements:

- It must be used for travel between employee residence (or parking lot) and the workplace.
- It has a seating capacity for at least six adults excluding the driver.
- At least half of the seating capacity excluding the driver is occupied (minimum: 3 adult passengers + 1 driver).
- At least 80 percent of the vehicle mileage must be for the rider's local commute from residence to the workplace

While vanpools will typically operate most efficiently at full capacity, the minimum occupancy requirements are designed to protect vanpools from losing their eligibility when a rider transition out of the vanpool. For example, if six employees lease a seven-passenger van to operate a vanpool from a location near their residence to their workplace and that vehicle is used more than 80% of the time for commuting, the vanpool is considered a qualified means of transportation, and the DON employees in the vanpool are eligible to receive the TIP benefit. If for some reason one of the riders drops out of the vanpool, the vanpool's occupancy drops from

six to five. Since the vanpool continues to meet the eligibility requirements, there will be no disruption in benefits for the remaining riders while they look to recruit a replacement for the employee who dropped out of the vanpool. If however, the vanpool operated with only three riders and a driver (the minimum occupancy allowed), when one of those riders drops out of the vanpool leaving only two riders and driver, the vanpool would no longer be considered a qualified means of transportation. The remaining riders would no longer be eligible for the TIP benefit. There would be a disruption in benefits until the remaining riders were able to recruit a replacement for the lost rider. The Office of Financial Operations (FMO) strongly encourages vanpools to operate above the minimum requirement levels to avoid a disruption of benefits when a rider turnover occurs.

How can reviewing officials know if these requirements are being met? Vanpool logs are an important internal control mechanism that can be used to ensure that these minimum occupancy requirements are met. FMO recommends that local reviewing officials require and review vanpool logs on a quarterly (or monthly) basis to ensure that vanpools continue to meet the definition outlined in Internal Revenue Code (IRC) 26 Section 132(f). Reviewing officials should communicate these basic requirements to participants to prevent a disruption in benefits.

One of the most common vanpool questions you may get is: "Can non-government employees ride in my vanpool?" There is good news here. Vanpool ridership is not restricted to government employees only. However, any non-Federal vanpool members must pay "out-of-pocket" and cannot be subsidized through TIP. All vanpool members, whether Federal employees or contractors, must pay the same rate for the same van pool services.

For example, Joe is a contractor and has decided to participate in a vanpool with nine other government employees in their ten-passenger van. The vanpool's monthly operating cost is \$1000. In this case, each employee is eligible for \$100 (\$1000/10 riders). Joe is responsible to pay \$100 "out of pocket" – the same price as the government employees pay using their TIP benefit. But everyone likes Joe and wants to help him out. The other riders may ask to increase their benefit amount to \$110 to help cover the cost for Joe. That way Joe only has to pay \$10 per month out of pocket. While that might seem kind, that is strictly prohibited and defrauding the government. TIP participants cannot inflate their actual commuting costs to cover the commuting expenses for non-TIP participants. All van pool members, whether Federal employees or contractors, must pay the same rate for the same van pool services.



Participating in a vanpool can be a great way to reduce traffic congestion and air pollution all while reducing personal gas and auto expenses. So the next time you hear someone at your command comment on the ever increasing prices at the pump, remind them that it may be time to consider using mass transit for their commute.

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