



Management Directive

Commonwealth of Pennsylvania

Governor's Office

Management Directive 315.28 Amended – Taxability of State-Provided Parking

Date: February 1, 2022
By Direction of: *Greg Thall*
Greg Thall, Secretary of the Budget
Contact Agency: Office of the Budget
Office of Comptroller Operations
Bureau of Commonwealth Payroll Operations
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This directive establishes policy, responsibilities, and procedures for determining the Value of State-Provided Parking and for withholding and reporting applicable taxes, in accordance with Section 132 of the *Internal Revenue Code*, 26 U.S.C. § 132 and the *Federal Insurance Contributions Act (FICA)*, 26 U.S.C. §§ 3121-3128.

1. PURPOSE.

To establish policy, responsibilities, and procedures for determining the Value of State-Provided Parking and for withholding and reporting applicable taxes.

2. SCOPE.

This directive applies to all departments, offices, boards, commissions, and councils under the Governor's jurisdiction and to those independent agencies using the SAP Human Resource & Payroll Module (hereinafter referred to as "agencies").

3. OBJECTIVE.

To ensure that the withholding and reporting of tax on noncash compensation to Commonwealth employees and officials relating to the use of State-Provided Parking complies with federal and state regulations.

4. DEFINITIONS.

- a. **Limited Access Space.** One or more parking spaces to which only a limited number of individuals are permitted access.
- b. **State-Provided Parking.** Parking that is accessible to an employee on or

near a state business premises. It is paid for by the state (directly to a parking lot operator or by reimbursement to the employee), or is on premises that the state owns or leases. State-Provided Parking can be provided as a result of an employee's membership in a carpool, vanpool or Limited Access Space and includes reimbursements made to the employee for State-Provided Parking on or near a state business premise.

- c. **Value of State-Provided Parking.** The Value of State-Provided Parking to an employee is based on the amount (including taxes and other fees) that an individual would incur in an arm's length transaction to obtain parking at the same site. If the amount is not ascertainable, the value is based on the amount that an individual would incur in an arm's length transaction for a space in the same lot or a comparable lot in the same general location under the same or similar circumstances. An employee's subjective perception of value of the parking or the costs incurred by the state are not relevant to the determination of its fair market value.

5. POLICY.

- a. Section 132 of the *Internal Revenue Code, 26 U.S.C. § 132*, provides that employer-provided parking is considered a transportation fringe benefit. If the fair market value of the parking exceeds the IRS monthly exemption (see the current list of [Qualified Parking Benefit Exclusion](#)), the amount in excess of the IRS monthly exemption is taxable and must be included in the employee's federal income, Social Security and Medicare tax.
- b. The assignment and use of State-Provided Parking shall be in accordance with policy and procedures established by the Executive Board and the Department of General Services (DGS). If an employee obtains a State-Provided Parking space as a result of membership in a carpool, vanpool, or Limited Access Space, the State-Provided Parking space must be assigned to a specific individual or "prime member" who must bear the tax consequences attributable to that space. If the space is not assigned to a particular individual, then the agency that provides access to the space must designate one of its employees as the person who will bear the tax consequences. Agencies may alternate the tax burden between the employees with Limited Access Space, on a monthly basis, so long as all months in which Limited Access Space is provided are accounted for during the year. Members of the carpool, vanpool, or Limited Access Space are not permitted to combine their individual parking exclusions.
- c. The reporting period for State-Provided Parking benefits is November 1 through October 31 of the following year.

6. RESPONSIBILITIES.

- a. **Agency Fiscal Officers** shall:
 - (1) Ensure that all employees under their jurisdiction and within the scope of this directive are properly disclosed to the Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations (BCPO) in relation to IRS requirements.
 - (2) Ensure that a current list of all State-Provided Parking in excess of the IRS exclusion amounts is maintained and accessible, in accordance with

applicable records retention and disposition schedules.

- (3) Submit to BCPO, upon request, a current list of State-Provided Parking spaces whose fair market value exceeds the IRS exclusion amount and the names and personnel numbers of the employees bearing the tax consequences of such parking spaces.

b. BCPO shall:

- (1) Obtain a list from agency fiscal officers detailing employees with State-Provided Parking and the number of months each space was assigned to each individual.
- (2) Calculate and adjust employee gross taxable income from the information obtained from the agency fiscal officers for IRS Form W-2, Wage and Tax Statement preparation.
- (3) Notify employees identified in section 6.a.(3) of this directive that the fair market value of their State-Provided Parking exceeds the IRS exclusion amount. This notification must include:
 - (a) The tax period in which the employee used State-Provided Parking valued in excess of the IRS exclusion amount.
 - (b) The amount by which the employee's gross taxable earnings for federal income, Social Security and Medicare tax will be increased.
 - (c) The pay date on which the increase to the employee's gross taxable earnings for federal income, Social Security and Medicare tax will be increased.

7. PROCEDURES.

a. Agency Fiscal Officer.

- (1) Compiles and maintains a detailed monthly listing of all State-Provided Parking with a value in excess of the IRS exclusion amount, in accordance with applicable records retention and disposition schedules. The list should include the name and personnel number of each employee assigned to each space.
- (2) Provides a listing of all State-Provided Parking with a value in excess of the IRS exclusion amount for the agency's employees semi-annually upon request from BCPO.

b. BCPO.

- (1) Surveys agency fiscal officers semi-annually for all qualified State-Provided Parking in excess of the IRS exclusion amount, including the names and personnel numbers of employees to whom the qualifying spaces were assigned for the current tax year.
- (2) Adjusts employee's earnings and deductions twice a year to reflect taxable State-Provided Parking.
- (3) Adjusts terminated employee parking.
- (4) Deducts federal income, Social Security, and Medicare taxes from employee's gross earnings.
- (5) Remits income tax withheld and employee and state share of Social Security and Medicare taxes to the IRS.
- (6) Includes necessary adjustments on employee's IRS Form W-2, Wage and Tax Statement.

This directive replaces, in its entirety, *Management Directive 315.28* dated February 1, 2011.