

# **Santa Rosa City Schools**

## **Section 132(f) Tax Free Transportation Program**

**Adopted September 1, 2014**

### **ARTICLE I INTRODUCTION**

- 1.01 Effective September 1, 2014, the Santa Rosa City Schools establishes the Santa Rosa City Schools Section 132(f) Tax Free Transportation Program."
- 1.02 The purpose of this Program is to provide tax-free transportation benefits in lieu of otherwise taxable compensation. It is intended that this Program comply with the requirements of Internal Revenue Code § 132(f).

### **ARTICLE II DEFINITIONS**

The terms used in this Program shall have the meanings set forth in this Article unless the context in which they are used clearly indicates some other meaning is intended.

**Affiliate** means any entity which is a member of a group which includes Santa Rosa City Schools and is defined in Code § 414(b) or (c).

**Anniversary Date** means the first day of any Program Year.

**Commuter Highway Vehicle** means any highway vehicle:

- (1) which has a seating capacity of at least 6 adults (not including the driver), and
- (2) at least 80 percent of the mileage use of such vehicle is reasonably expected to be:
  - (a) for the purposes of transporting employees in connection with travel between their residences and their place of employment, and
  - (b) on trips during which the number of employees transported for such purposes is, on average, at least one-half of the adult seating capacity of such vehicle (not including the driver).

**Commuter Highway Vehicle (vanpool) Expenses** mean expenses incurred for transportation in a "commuter highway vehicle" is such transportation is in connection with travel between the Employee's residence and place of Employment.

**Code** means the Internal Revenue Code of 1986, as amended from time to time.

**Compensation** means the cash wages or salary paid to an Employee by the Santa Rosa City Schools.

**Effective Date** means September 1, 2014.

**Eligible Employee** means all Employees who meet the eligibility requirements set forth in Article III.

**Eligible Transportation Expense** means those qualified expenses incurred by the Employee to purchase or pay for Transit Pass Expenses, Commuter Vehicle Expenses or Qualified Parking Expenses incurred for the purpose of transportation between an Employee's residence and place of Employment.

**Employee** means an individual that the Santa Rosa City Schools classifies as a common-law employee and who is on the Santa Rosa City Schools' W-2 payroll, but does not include any leased employee (including, but not limited to those individuals defined in Code § 414 (n), or an individual classified by the Santa Rosa City Schools as a contract worker, independent contractor, temporary employee or casual employee, whether or not any such person are on the Santa Rosa City Schools W-2 payroll, or any individual who performs services for the Santa Rosa City Schools but who is paid by a temporary or other employment agency such as "Kelly," "Manpower," etc. or any employee covered under a collective bargaining agreement.

**Employer** means Santa Rosa City Schools and any Affiliate, which has adopted this Program pursuant to Section 6.05.

**Employment** means the performance of services by an Employee for the Santa Rosa City Schools.

**Program** means the Santa Rosa City Schools Section 132(f) Tax Free Transportation Program as set forth in its entirety in this document as may be amended from time to time.

**Program Year** means the annual accounting period of the Program, which begins on September 1, 2014 and ends on December 31, 2014 for the initial Program Year. Thereafter it is run on a calendar year basis.

**Qualified Parking Expenses** means the following parking expenses, unless such expenses are incurred for any parking on or near property used by the Employee for residential purposes.

- (1) Expenses incurred by an Employee to park his or her car on or near the business premises of the Santa Rosa City Schools.
- (2) Expenses incurred by an Employee to park his or her car on or near a location from which the employee commutes to work:
  - (a) by mass transit facilities, whether or not publicly owned,
  - (b) by using the services of any person in the business of transporting person for compensation or hire if such transportation is provided in a "commuter highway vehicle," as defined in this Program,



- (c) by "commuter highway vehicle," as defined in this Program; or
- (d) by carpool (i.e., two or more individuals who commute together in a motor vehicle on a regular basis).

**Salary Reduction Agreement** means the actual or deemed agreement pursuant to which an Eligible Employee enrolls in the Program in accordance with Article IV.

**Transit Pass Expense** means expenses incurred for any pass, token, fare card, voucher, or similar item entitling a person to transportation (or transportation at a reduced price) is such transportation is:

- (1) on mass transit facilities, whether or not publicly owned, or
- (2) provided by any person in the business of transporting person for compensation or hire if such transportation is provided in a vehicle with a seating capacity of at least six adults (excluding the driver).

**Bicycle Expense** means expenses incurred for purchase, repair and/or maintenance of bicycle entitling a person to transportation to and from their home to place of employment.

### **ARTICLE III ELIGIBILITY**

- 3.01 **Eligibility.** Employees who complete any applicable orientation period established by Santa Rosa City Schools shall be eligible to participate in the Program. There is no minimum work hour requirement.
- 3.02 **Rehire.** If an Employee terminates his Employment for any reason including (but not limited to) disability, retirement, layoff, quit, discharge, or voluntary resignation, and then is rehired, the Employee must complete any applicable orientation period again becoming eligible to participate in the Program.

## ARTICLE IV BENEFITS AND ELECTIONS

- 4.01. **Election of Benefits.** Eligible Employees will enter into a Salary Reduction Agreement approved by the Santa Rosa City Schools whereby the Employee agrees to reduce his or her unearned salary/compensation by the amount of his or her anticipated future Eligible transportation Expenses for the calendar month. The resulting per payroll period reduction amount will be deducted on a pre-tax basis from the employee's salary/compensation per payroll period. The monthly amount chosen remains the same unless the employee notifies the Santa Rosa City Schools of their intent to make a change.
- 4.02. **Account.** The Santa Rosa City Schools will create and maintain a bookkeeping account on behalf of each Employee who enters into a Salary Reduction Agreement, which account will reflect the accumulated amount of salary/compensation that has been deducted on a pre-tax basis from the Employee's wages. When cash reimbursement is made to the Employee for his or her Eligible Transportation Expenses, the balance of said account will be reduced by the amount of the reimbursement. The amount of any reimbursement shall not exceed the accumulated amount in said account at the time of the reimbursement and the following monthly limitations.
- a. **Monthly Limitation for Qualified Parking Expenses:** Reimbursements for Qualified Parking Expenses will not exceed the monthly value as set forth in Internal Revenue Code Section 132(f), as adjusted for inflation. For 2014, the limitation on such value is \$250 per month.
  - b. **Monthly limitation for Transit Pass and Commuter Highway Vehicle Expenses:** Reimbursements for combined expenses for Transit Pass Expenses and Commuter Highway Vehicle Expenses will not exceed the monthly value as set forth in Internal Revenue Code Section 132(f), as adjusted for inflation. For 2014, the limitation on such value is \$130 per month.
  - c. **Special Rules for Transit Passes:** A cash reimbursement may not be provided for an employee's past transit expenses if a voucher (or similar item that may be exchanged only for a transit pass) is readily available to the Santa Rosa City Schools for direct distribution to employees. A voucher (or similar item) is readily available if (1) the Santa Rosa City Schools can obtain the voucher on terms that are no less favorable than the terms available to an employee directly and (2) the Santa Rosa City Schools does not incur a significant administrative cost in obtaining the voucher.
  - d. **Monthly Limitation for Bicycle Expenses:** Reimbursements for repair, purchase and/or maintenance will not exceed the monthly values as set forth in the Internal Revenue Code section 132(f), as adjusted for inflation. For 2014 the limitation on such value is \$20 per month.



#### 4.03 **Revocation of Salary Reduction Agreement.**

The Employee's Salary Reduction Agreement may be revoked or changed at any time, provided that such revocation or change applies to salary or Compensation that is not yet earned. The Employee's Salary Reduction Agreement shall terminate upon termination of Employment.

- 4.04 **Substantiation of Expenses.** The employee may claim reimbursement for Eligible Transportation Expenses by submitting in the manner and form approved by the Santa Rosa City Schools a record of expenses incurred. The Employee shall provide information showing that any Eligible Transportation expense was in fact incurred by the Employee. The information submitted shall generally include the amount paid, evidence of payment, and the date of the expenses for which reimbursement is claimed. The information submitted by the Employee may vary depending on the facts and circumstances, including the methods of payment and the particular transportation method used by the Employee.

- 4.05 **Reimbursement of Expenses.** The Santa Rosa City Schools will provide reimbursement of substantial Eligible Transportation Expenses on an administratively convenient periodic basis and will deduct the Employee's account accordingly.

If the amount an employee spends on a specific account is below the amount they have agreed to set aside for the month, they may carry forward the unused portion to the following month. The amount paid in a given month, however, may not exceed the statutory monthly maximum.

If an employee spends more than the amount they have set aside in a given month, they may NOT carry forward the deficit to a subsequent month.

### **ARTICLE V ADMINISTRATION**

- 5.01. The Administrator of the Program shall be Santa Rosa City Schools (but it will have certain administrative duties handled by The SSM Group).

- 5.02 **Powers and Duties of the Program Administrator.** The Program Administrator shall have exclusive responsibility for, and all powers necessary or desirable to carry out, the administration of the Program and, without limitation on the foregoing, shall have completed discretionary power and authority to:

- (a) Adopt any rules and regulations it deems desirable for the conduct of its affairs and the administration of the Program;
- (b) Take any action it deems necessary or appropriate to comply with any requirements of applicable law with respect to notice and disclosure and the preparation and filing of reports and forms, if necessary;

- (c) Construe and interpret the Program and make determinations under the provisions of the Program with respect to all rights, benefits, duties and entitlements, including but not limited to eligibility for benefits, amounts of benefits payable, and all other matters pertaining to the operation and administration of the Program, all such determinations to be made in the Program Administrator's sole discretion;
  - (d) Appoint or employ person to assist in the administration of the Program; and
  - (e) Make any equitable adjustments to correct any error or omission discovered in the administration of the Program.
- 5.03 **No Action with Respect to Own Benefit.** An Employee acting on behalf of the Program Administrator shall not take part in any discretionary action in connection with his participation as an Eligible Employee under the Program. All such action shall be taken by through its Chief Executive Officer.

## **ARTICLE VI AMENDMENT AND TERMINATION**

Santa Rosa City Schools may at anytime (1) amend the Program contained in this document in any manner deemed advisable by it, (2) terminate or limit the Program contained in this document, or (3) terminate or limit the participation in the Program by any Santa Rosa City Schools, effective as of the date specified in the instrument of amendment or termination, without the consent of any Santa Rosa City Schools, Eligible Employee or participating Employee. Such amendment may be retroactive to the extent deemed appropriate.

- 6.01 **Right to Assets.** Neither the establishment of the Program nor the payment of benefits under the Program shall be construed as giving any legal or equitable right to any Eligible Employee, former Eligible Employee or participating Employee against Santa Rosa City Schools or their officers or employees except as expressly provided herein, and all right under any Program shall be satisfied, if at all, only out the general assets of the Santa Rosa City Schools.
- 6.02 **No Inducement Contract or Guarantee of Employment.** The Program does not constitute inducement or consideration for the employment of any Eligible Employee, nor is it a contract between any Santa Rosa City Schools and Eligible Employee. Participation in the Program shall not give any Eligible Employee any right to continued employment with his Santa Rosa City Schools, and the Santa Rosa City Schools retains the right to hire and discharge any Eligible Employee at any time, with or without cause, as if the Program had never been adopted.
- 6.03 **Spendthrift.** Except as permitted by law and this section, no assignment of any rights or benefits arising under the Program shall be permitted or recognized. Shall not be liable for or subject to the debts, contracts, liabilities, or torts of any person entitled to benefits under this Program.
- 6.04 **Conclusiveness of Records.** The records of the Santa Rosa City Schools with respect to age, service, employment history, employment termination, compensation,



absences, illnesses and all other relevant matters shall be conclusive for purposes of the administration of the Program.

- 6.05 **Adoption by Affiliate.** Any Affiliate may, with the consent of Santa Rosa City Schools adopt the Program by executing a copy of the Program as a participating Santa Rosa City Schools, in which case its Eligible Employees shall become entitle to the benefits designated herein.
- 6.06 **Payment of Expenses.** Santa Rosa City Schools through its administrative assistant, The SSM Group, shall pay all the expenses of administration of the Program.
- 6.07 **Governing Law.** The Program shall be governed, construed, administered and regulated in all respects under the laws of California.
- 6.08 **Right to Require Information and Reliance Thereon.** Santa Rosa City Schools shall have the right to require Eligible Employees to provide them and their agents with such information, in writing, and in such form as it may deem necessary to the administration of the Program, and such parties may rely on that information in carrying out their duties hereunder.
- 6.09 **Construction.** One gender includes the other, and the singular and plural include each other when the meaning would be appropriate. The Program's headings and subheadings have been inserted for convenience of reference only and must be ignored in any construction of the provisions. If a provision of this Program is illegal or invalid, that illegality does not affect other provisions. Any term with an initial capital not expected by capitalization rules is a defined term according to Article II.
- 6.10 **Notification of Employees.** The Santa Rosa City Schools shall communicate in writing the terms and conditions of the Program to all eligible employees.
- 6.11 **Taxability of Benefits.** The Santa Rosa City Schools makes no guarantee as to the excludability of benefits under this Program from federal, state, or local taxes, and it shall be the Employee's sole responsibility to pay any taxes due as a result of the payment of benefits hereunder.

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#### ADOPTION OF PROGRAM

As evidence of the adoption of the Program, its duly authorized officer signs effective September 1, 2014 by this document.

Santa Rosa City Schools

By:

Title: