Incentivize Employees to Give Up Their Parking Space

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Parking cash out is when an employer offers an approximate cash equivalent of the cost of a subsidized parking space for employees who surrender their parking privileges. Parking cash out reduces the demand for employee parking, allows for staff expansion without adding parking, reduces greenhouse gases and traffic congestion, improves employee morale and health, and can be highlighted as a recruitment and retention benefit.

Administration & Cost Considerations

Use this document to understand the administrative needs and costs, see what variations already exist, and assess which program format makes the most sense for your company.

Parking cash out programs are generally implemented through Human Resources. Employees sign up as they would for other benefits programs. Unlike parking, transit or bicycle benefits, which are tax exempt up to an allowable monthly maximum[1], parking cash out is not a qualified transportation expense under IRS 132(f) rules and therefore considered taxable income. As a result, employers incur payroll taxes on the amount, and employees pay income taxes if the funds are not used for an allowed transportation benefit.



Parking Cash Out Variations

Parking cash out is usually offered on a monthly or daily basis and can be combined with other incentives, such as a discounted transit passes or a monthly bicycle benefit.

Monthly: Employees opt to forego a parking space for a certain number of months and receive the cash equivalent of the parking space each month.

Daily: Employees decide on a daily basis whether they want to drive and park onsite or take advantage of the cash out option. Automated technology makes it easier to implement a daily cash out program, as employees can earn money for each day they do not use a parking pass to get into the parking lot.

[1] In 2019, the monthly maximums are $265 for parking and transit, and $20 for bicycle commuting expenses.

Example A: Monthly Cash Out

Offer a monthly cash out option of $50 to employees who do not use a parking pass. This option is the easiest to track, as employees without a pass will receive an extra $50 per month that can be used all or in part for a qualified transportation expense or accepted as cash. Funds not used for qualified transportation expenses would be taxable. Additionally, your company could offer some sort of punch card or validation that employees can use to park up to three times per month when they may need to drive. This may require coordination with the parking vendor.

Example B: Daily Cash Out

Employees earn $3 each day they do not use onsite parking, up to $50/month. Payouts for this program could be tied to a monthly check where employees receive a lump sum for the number of days they did not park onsite. Payroll would need to coordinate with the parking department to verify the number of times an employee used the parking pass.



Add a Transit Pass

Offer a daily or monthly cash out program as well as an employer subsidized transit pass worth $76/month for MARTA or up to $125/month for SRTA. Employees can earn $1 per day on days they do not use onsite parking, plus receive an employer-purchased transit pass. The cost of the transit pass would be deducted pre-tax, saving the employer money. The payroll department would need to coordinate with the parking department monthly.

Example C: Daily Incentive Deduction

Offer a daily cash out program that is structured as an incentive deduction strategy. Employees would begin each month with $50 in a "transportation account". For each day that they use their parking transponder, $7 is withdrawn from the "transportation account". Payouts for this program could be tied to a monthly check, where employees receive a lump sum for the number of days they did not park onsite; payroll would need to coordinate with the parking department to verify the number of times an employee used the parking pass. While this strategy has not been tested for Parking Cash Out programs, a recent weight loss study showed that participants who were offered an incentive deduction strategy were the most likely to engage in physical activity each day.[2]

[2] http://www.huffingtonpost.com/entry/fear-of-losing-money-is-a-surprising-weight-loss-incentive_us_56c49870e4b0c3c550534178

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Financial Incentives to Increase Physical Activity Among Overweight and Obese Adults: A Randomized, Controlled Trial. Annals of Internal Medicine 164: 385-394, 6 2016.

A Few Real World Examples:

Northside Hospital

Offers new employees a one-time increase in PTO hours if they choose to take an alternative commute and not park onsite at one of their buildings. Over 300 employees participated initially, and reduced demand for an over utilized parking lot.

VMware

Offers $25 and a free transit pass every month to employees who give up their parking permit.

Worldpay

Worldpay provides employees with $120 for opting out of a monthly parking pass.

Qualified Transportation Expenses

Qualified transportation costs are tax exempt, up to $265 per month for transit and parking. Many payroll companies offer the pre-tax benefit; if a company does manage payroll in-house, a payroll representative will be responsible for setting up the benefit with the payroll system.



Contact us: **info@perimeterconnects.com**

Preferential Parking Guide

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Preferred parking is a benefit for employees who share the ride to work, in which they have access to special parking spaces. Carpool and/or vanpool-only parking spaces can be designated in premier locations within your parking deck, such as near the building entrance or in a covered area. Providing dedicated spaces, along with your onsite rideshare program, helps make ride-sharing more convenient and attractive to your employees.

Who Can Park in the Carpool/Vanpool Only Parking Spaces?

Only vehicles with two or more carpool or vanpool participants should be allowed access to the preferred parking spaces. Employees should not have access to use the designated parking spots on days that they drive alone.

Employers can determine who can use the designated spaces and how to monitor them. Parking spaces can be available on a first-come, first-served basis or reserved on a monthly basis. Depending on the number of spots and employees that plan to share the ride, you may also host a drawing to determine which rideshare groups can use the spots.

Monitoring Options

- **Hangtags/Permits:** Employees who register to carpool or vanpool will be issued an individual permit. The driver and riders must display their permits on the dash the days they carpool and park in the designated spaces. If security is not able to identify more than one permit on the dash, the vehicle parked in the space will receive a citation. OR, each registered carpool with be assigned a number, and only one vehicle from the carpool may be parked in a reserved spot at any one time. If two cars displaying permits with the same permit number are parked in reserved spots, they will receive a citation.
- **Daily Hangtags/Permits:** If security staff are stationed at the entrance to the parking lot, a daily carpool parking permit will be issued when vehicles with two or more carpooling employees enter. Permits are only valid for the date listed and are to be discarded upon exiting the facility.
- **Employee Self Reporting:** Employees who have registered to use the preferred parking spaces will be required to log their carpool trips on the Georgia Commute Options website, and submit a monthly log to your HR representative or Property Management representative. Daily use of the parking spaces will be based on the honor system if security is not available to monitor.

Implementation Tips

- Assign parking spaces in a premier location within the parking lot such as close to the building entrance or in a covered area. If employees experience traffic and extended wait times upon leaving the lot at the end of the day, consider assigning spots with easy access to an exit.
- Install carpool and vanpool parking only signs to designate preferred parking spots.
- Contact your parking provider for assistance with space designation and monitoring.
- Consider hand-selecting employees that currently share the ride to use the preferred parking spaces. Having spaces that are full will generate interest among other employees.