

# Personal Taxation and Commuting – International Experiences

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# Structure of presentation

- ▶ Presentation based on work by Stephen Potter, Marcus Enoch, myself and Colin Black for DG TREN and UK Department for Transport/Inland Revenue
- ▶ Review of personal taxation and commuting policy (and changes to it) in Germany, Norway, Netherlands, Switzerland, USA, Ireland and UK
- ▶ Some assessment of effectiveness

# General introduction

- ▶ Can personal taxation be a more acceptable way to influence travel behaviour than e.g. fuel tax?
- ▶ Personal tax tends only to influence commute trip
- ▶ 2 main types of country with regard to personal tax and commute:
  - Those where commute costs can be written off/get tax relief (and employer contributions to costs are tax free)
  - Those where they aren't/don't

# Germany

- ▶ Commuting tax deductible
  - Lump sum or
  - Per km rate (~ €0.28/km) for car and public transport
  - Tax relief on employer-provided “Job-ticket” PT tickets
- ▶ Cost to Treasury ~ €750m to ~ €1650m per year lost revenue
- ▶ Effect: trip lengthening, stimulus of car commuting
- ▶ Similar in Norway?
- ▶ Worst of both worlds – reduces tax yield and sends wrong signals to travellers?

# Netherlands 1

- ▶ Starting position: similar to Germany
  - Many employers reimburse commute costs (for trips > 10 km)
  - For those who don't, commute costs tax deductible
- ▶ Policy moved towards encouraging non-car modes
- ▶ By 2002, very complex situation! – reform needed
  - 10 km rule abolished for cycling and public transport
  - Employers can pay up to €0.18/km tax free for commuting by car, PT, bike or car pool
  - Company cars taxed only if used privately
  - Notional taxable income (€52/year) for area-wide PT season tickets

## Netherlands 2

- ▶ Bikes gifted to employees – low notional taxable value
- ▶ Relocation allowance not taxable if employee moves closer to work
- ▶ Dutch (2002) reforms introduced as part of much wider reform of tax system
- ▶ Reform broadly revenue neutral but supportive of more environmentally-friendly lifestyles... but
- ▶ Impacts on travel behaviour – not evaluated!

# Switzerland

- ▶ Commute costs by public transport – deductible
- ▶ Standard deduction rates exist for car use but...
- ▶ Commute costs by car – deductible only if taxpayer can show public transport is no alternative

# USA 1

- ▶ Began with no deductions for commute costs – but exemptions introduced
- ▶ **1984:** Deficit Reduction Act - \$US15 per month tax exemption for transit users, with restrictions – increased to \$US21 in 1991
- ▶ **1993:** National Energy Policy Act
  - Vanpool expenses also qualified
  - Transit/Vanpool benefits – to \$US60 per month
  - Qualified Parking - \$US155 per month
- ▶ **1996:** IRS indexing of benefits to inflation
  - Transit/Vanpool benefits - \$US65 per month
  - Qualified Parking - \$US165 per month
- ▶ **1998:** Transportation Equity Act For the 21<sup>st</sup> Century (TEA-21)
  - Employee can elect to buy transit fares with pre-tax compensation
  - Tax-free transit benefit increased to \$US100/month after 2001

- ▶ Summary of current situation:
  - “TransitCheck” and similar schemes available – employers buy vouchers for employees to buy PT tickets. Staff not taxed on benefit. Employer saves payroll tax
  - And/or Staff use pre-tax income to buy PT tickets
  - Same for cost of vanpool
  - Same for “qualified parking” –reimbursement of parking costs for PT, vanpool or carpool
- ▶ Initial evaluations showed 25% of take-up from former solo car drivers (Litman, 1998)

# Ireland

- ▶ Since 1999 €600/year tax deductible allowance for PT tickets (monthly or annual pass)
- ▶ Most employers in scheme buy tickets (discounted) on behalf of staff and reclaim cost from employees monthly
- ▶ Most Dublin area companies take-up = 10-15% of staff
- ▶ Impact on public transport ridership – not evaluated

- ▶ Commuting generally not tax-deductible
- ▶ 1999 – reforms brought in to encourage travel plans
- ▶ Following employer-provided benefits now tax free:
  - Works buses of 12 or more seats.
  - Subsidies to public bus services as long as employees pay same fare as other people.
  - Cycling safety equipment.
  - Parking at work for bicycles and motorcycles.
  - Alternative transport for car sharers to get home in exceptional circumstances.
- Incremental changes, minimal effects

# Effectiveness?

- ▶ All countries united by lack of evaluation of impact of tax regimes on behaviour
- ▶ Limited evidence from USA suggests some mode shift as a result of PT benefits
- ▶ Biggest change – Netherlands – no evaluation

# Conclusions

- ▶ General tax concession has negative transport and environmental impacts.
- ▶ General tax concession also costly.
- ▶ Even if general tax concession focused on public transport, it can still cause trip lengthening.
- ▶ Politically difficult to reduce car commuting benefits once in place.
- ▶ To move forward, look at changes to tax and commuting concessions as part of wider fiscal reform