JLARC to review two preferences for employers that provide financial incentives for commute alternatives

The 2015 Legislature extended a Business & Occupation (B&O) Tax credit and a Public Utility Tax credit to offset the cost of commute trip reduction incentives.

This preference is included in the 10-year review schedule set by the Citizen Commission for Performance Measurement of Tax Preferences, and the review is mandated by 2015 legislation extending the credits.

B&O and Public Utility tax credits intended to encourage commute alternatives

Employers with 100 or more full-time employees in Washington must develop a commute trip reduction (CTR) program. The intent is to reduce travel in single-occupancy vehicles to major worksites. Those with fewer than 100 employees can elect to develop a program.

Employers may provide financial incentives to encourage employees to use commute alternatives, such as ride sharing, public transportation, car sharing, or non-motorized commuting. The tax credits offset up to 50% of the incentive cost, up to $60 per employee. Employers are not required to have a CTR program to claim the tax credits.

The 2015 Legislature extended the preferences through 2023, stating a public policy objective to reduce traffic congestion, automobile-related air pollution and energy use. The preferences are intended to encourage employers to provide financial incentives to employees who use commute alternatives.

If a JLARC review finds that the percentage of Washingtonians using commute alternatives increased, the Legislative Auditor is to recommend extending the preferences.

JLARC staff to address the following questions to evaluate the preferences:

1. How many employers have CTR programs, how many claim the tax credits, and how many employees do they cover?
2. What is the value of the tax credits and how does this compare to the amount of financial incentives that employers provide to their employees?
3. Have employer CTR programs contributed to measurable reductions in traffic congestion, automobile-related air pollution, and energy use? To what extent can any reductions be attributed to the tax credits?
4. How has the percentage of Washingtonians using commute alternatives changed since 2015?

Study Timeframe

Preliminary Report: July 2022
Proposed Final Report: December 2022

Study Team

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JLARC Study Process

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Committee votes to distribute completed audit