

Parking Expenses for Qualified Transportation Fringes Under Code Section 274(a)(4)

December 28, 2018

The Tax Cuts and Jobs Act of 2017 amended Section 274 of the Internal Revenue Code to disallow a deduction for expenses with respect to qualified transportation fringes (QTFs) that taxpayer employers provide to their employees. In Notice 2018-99 (the **Notice**), the IRS provides interim guidance regarding how to determine the amount of parking expenses for QTFs that is deductible. The amount of QTFs that an employer provides to an employee is excluded from the employee's gross income up to the limit provided in Code Section 132(f)(2) (\$260 per employee in 2018). If the employer pays a third party to provide parking for its employees, the employer may deduct only those amounts that exceed the Code Section 132(f)(2) limit and are, therefore, included in the employee's taxable compensation. For employers that own or lease their parking facilities, the disallowed portion of the deduction may be calculated using any reasonable method and must be based on actual expenses rather than the value of the parking. The Notice provides a safe harbor method for calculating the disallowance that is deemed to be a "reasonable method." The Notice states that the IRS intends to issue proposed regulations under Code Section 274 regarding the determination of nondeductible parking expenses and other expenses for QTFs. Until such regulations are issued, employers may rely on the Notice. [View Notice 2018-99.](#)