

# Subsidizing Congestion

The \$7 billion subsidy that makes commuting worse in DC—  
and cities across the country

# Who We Are / What We Do



TransitCenter is a foundation working to improve public transportation and urban mobility, through grantmaking, research, training, and events.

# Imagine...



# The tax code subsidizes commuting:



Up to \$255/month  
towards car parking



Up to \$255/month  
towards transit (and  
vanpooling, etc.)



Up to  
\$20/month  
towards  
bicycling (but  
not bikeshare)

# What does the parking subsidy cost us?

## COST OF PARKING AND TRANSIT BENEFITS (BILLIONS)

COST OF TAX EXPENDITURE	PARKING BENEFIT	TRANSIT BENEFIT	TOTAL
FEDERAL INCOME TAX	<b>\$3.9</b>	<b>\$0.7</b>	<b>\$4.7</b>
STATE INCOME TAX	<b>\$0.8</b>	<b>\$0.1</b>	<b>\$1.0</b>
PAYROLL TAXES (EMPLOYER)	<b>\$1.2</b>	<b>\$0.2</b>	<b>\$1.5</b>
PAYROLL TAXES (EMPLOYEE)	<b>\$1.2</b>	<b>\$0.2</b>	<b>\$1.5</b>
<b>TOTAL</b>	<b>\$7.3</b>	<b>\$1.3</b>	<b>\$8.6</b>

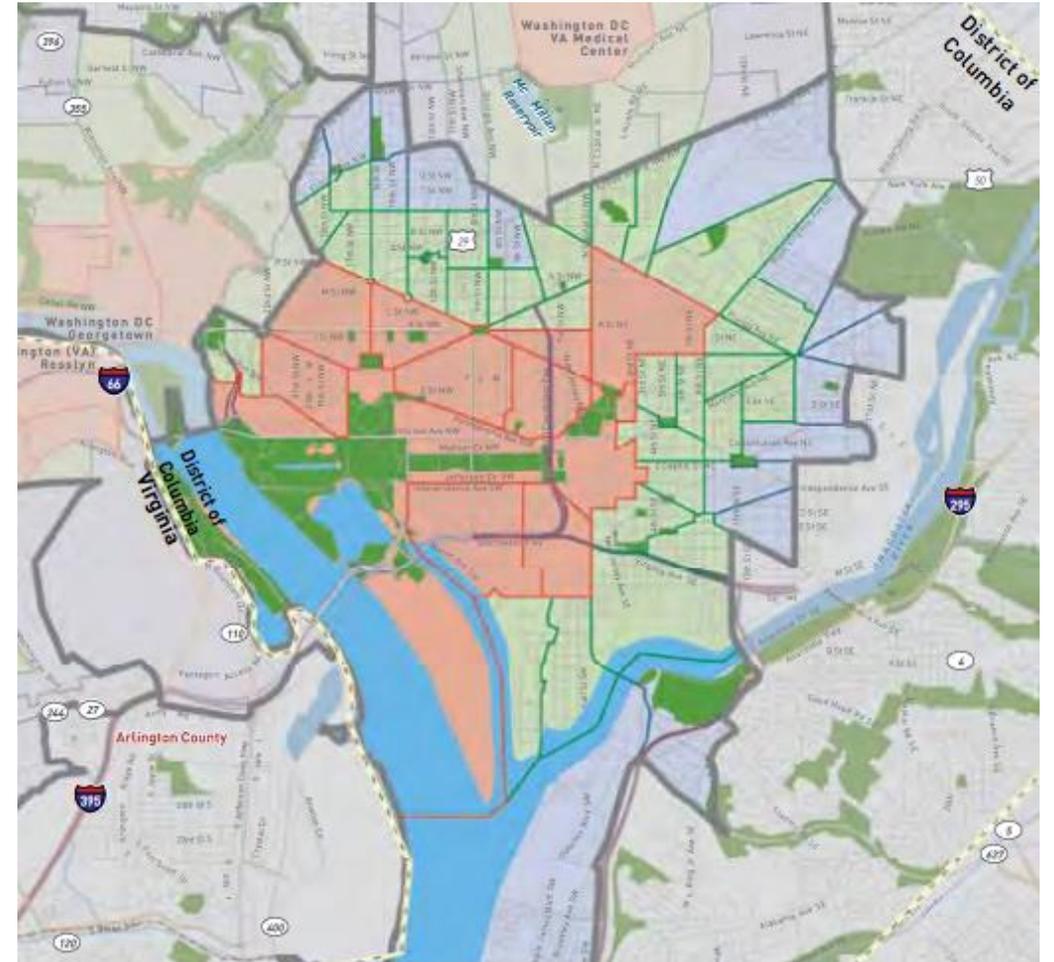
Note: Figures may not sum due to rounding.

(As of 2014—likely somewhat higher now)

Total Federal Transit  
Administration appropriations:  
\$11.6 billion in FY2016

# What does the parking subsidy cost us?

Employers in downtown DC (red area) provide parking subsidies to workers representing \$85.7 million in lost tax revenue



# Who benefits? Drivers in dense neighborhoods



No fair market value



Market value!

Saint Joseph Hospital Self-Park Garage Rates All Taxes Included	
	Patient / Visitor
0 Min. to 1 Hour	Free
1 Hour to 2 Hours	\$ 2.00
2 Hours to 12 Hours	\$ 4.00
12 Hours to 24 Hours	\$ 8.00
Lost Ticket	\$ 16.00
	Public
0 Min. to 1 Hour	\$ 3.00
1 Hour to 2 Hours	\$ 6.00
2 Hours to 3 Hours	\$ 9.00
3 Hours to 12 Hours	\$ 12.00
12 Hours to 24 Hours	\$ 16.00
Monday - Friday In After 5 pm out by 8 am	\$ 5.00
Saturday / Sunday (Per Day)	\$ 8.00
Lost Ticket	\$ 40.00

# The tax code encourages driving into congested cities

If you...	
Don't drive to work, or work somewhere that doesn't offer a parking benefit	NO BENEFIT
Work somewhere with abundant free parking	NO BENEFIT
Work somewhere where parking costs are low	LIMITED TAX BENEFIT
Work in a dense business district	TAX BENEFIT APPROACHING THE MAXIMUM

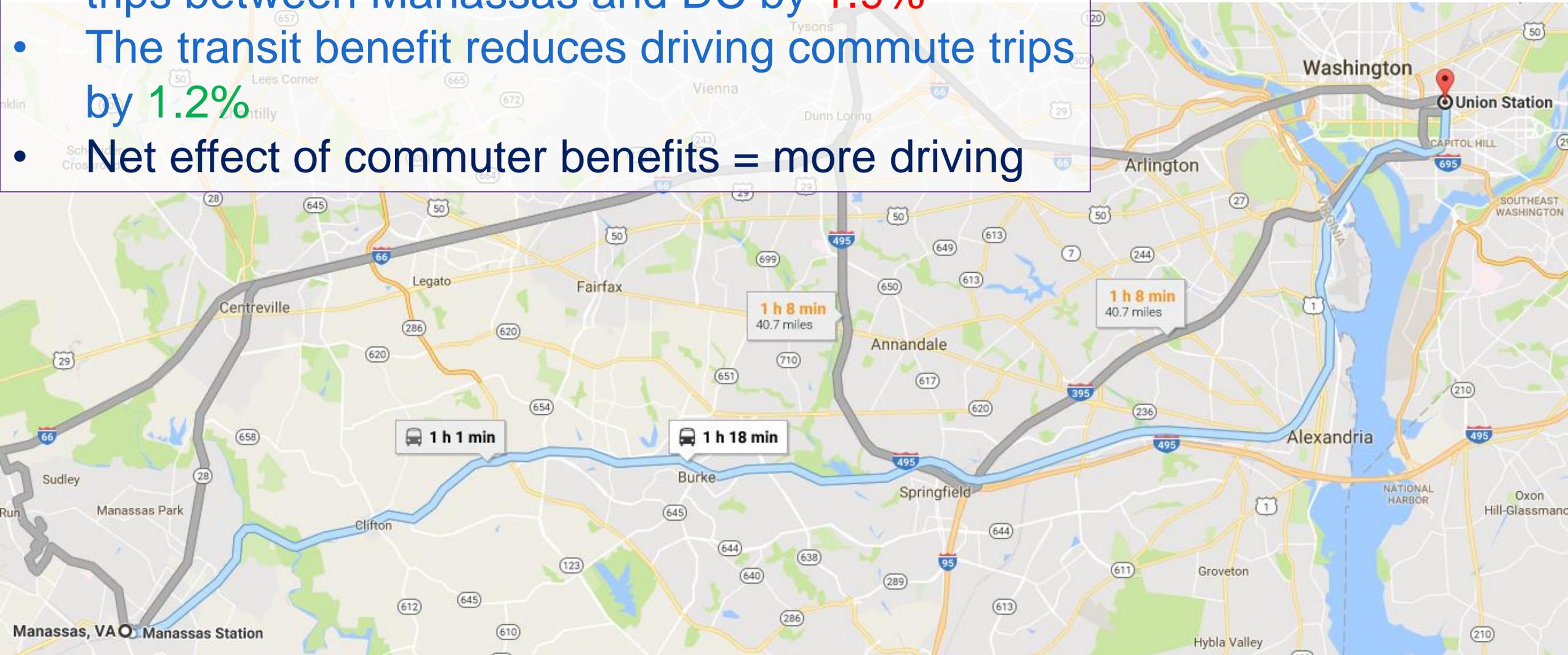
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**Just one-third of workers**

# Manassas, VA – Washington DC

- The parking benefit increases driving commute trips between Manassas and DC by **1.9%**
- The transit benefit reduces driving commute trips by **1.2%**
- Net effect of commuter benefits = more driving



# Who benefits? Mostly high-income workers.

## PHOENIX

The parking benefit can save a high-income household **\$218/year**, compared to **\$99/year** for a middle-income household

## PHILADELPHIA

The parking benefit can save a high-income household **\$990/year**, compared to **\$450/year** for a middle-income household

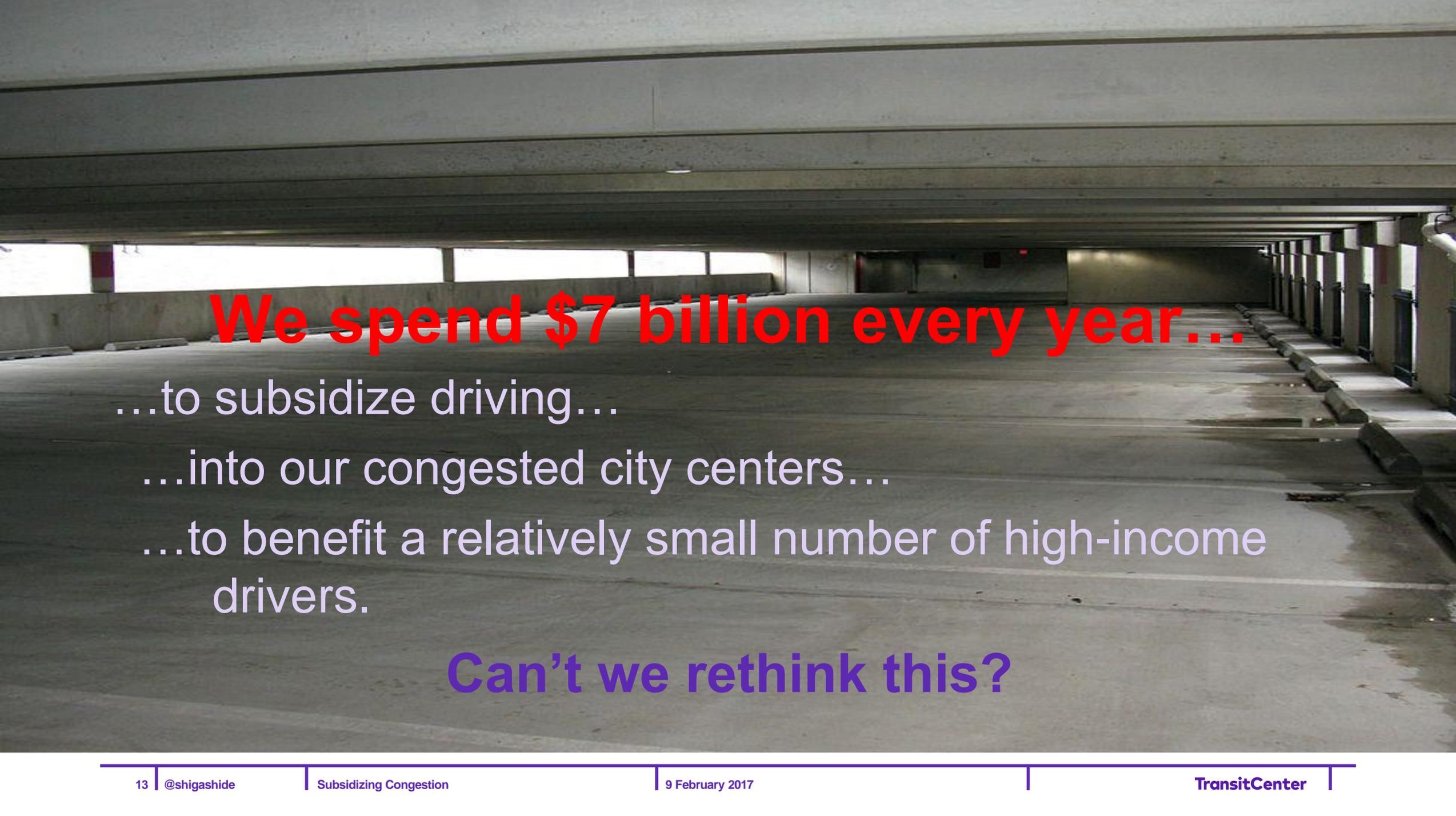
(based on avg. downtown parking prices from Colliers' *N. American Parking Rate Survey*, 2012. "High-income" = \$300K; "middle-income" = \$50K)

# (Congress thought this would be a blue-collar benefit)

*“[Treating parking as taxable fringe] is potentially a way of raising substantial additional taxes, not at the expense of the wealthy, but ... the working-class American.”*

- Rep. Barber Conable (1978)





**We spend \$7 billion every year...**

...to subsidize driving...

...into our congested city centers...

...to benefit a relatively small number of high-income drivers.

**Can't we rethink this?**

# What the U.S. should do instead

At least 4 countries treat employer-provided or employer-subsidized parking as a taxable fringe benefit.



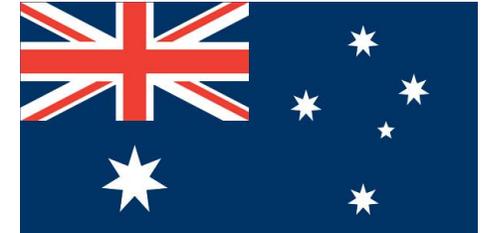
Austria



Canada



Sweden



Australia

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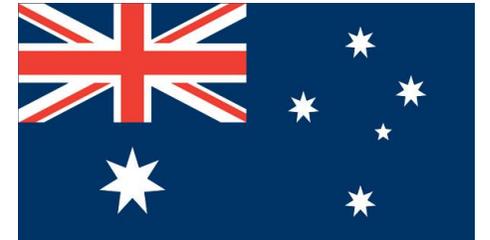
Austria



Canada



Sweden



Australia

In Australia, firms value employer-provided parking based on the price of nearby commercial lots.

# Modernizing the transit benefit

- Incorporate bikeshare
- Close the “Uber loophole”
- Incentivize carpooling
- Address self-employed workers

## Uber is using a tax 'loophole' to make its rides cheaper



DAN BOBKOFF  
OCT. 6, 2016, 1:05 PM

The mass transit I took to Brooklyn the other night came in the form of a gray Toyota minivan.

It sure didn't feel like mass transit: My colleague and I filled the middle row, and for most of the rush-hour journey crawling over torn-up Greenwich Village streets and then coasting across the Manhattan Bridge, it was just the two of us with the driver and four empty seats.

Comfortable, but hardly efficient.

I was in an UberPool, the ride-hailing company's service that picks up passengers heading in the same direction, adding extra pickups and drop-offs — and generally some *small* talk — but saving each passenger money. It felt like a fancy way to get to part of a city well served by subways.

But here's what made it remarkable: I had managed to pay for this ride using pretax deductions from my paycheck, just as someone taking the subway or bus might.



Waiting for my UberPool.

*Josh Wolff / Business Insider*

*Business Insider, Oct. 2016*

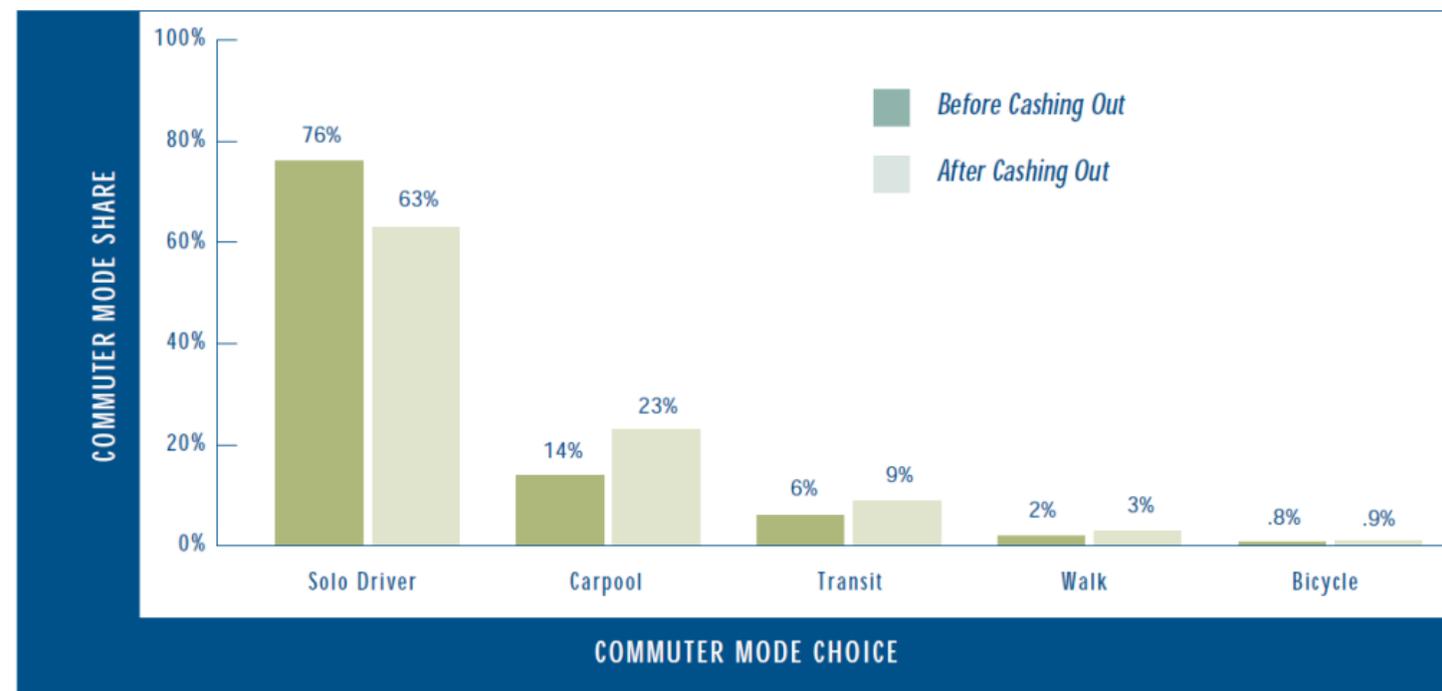
# What DC (and other cities) should do

## *Level the playing field for workers*

- As of 2016, law requires DC employers (20+ workers) to provide the pre-tax transit benefit
- *Parking “cash-out”*: If employees are offered free parking, non-drivers should be allowed to trade their parking space for cash

### COMMUTER MODE SHARES:

Before and After Cashing Out (based on 1,694 employees of eight case-study firms)



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## *Use parking revenue to fund additional mobility options*

# Nottingham, England



Workplace Parking Levy (tax on employer-provided parking spaces) has funded expansion of city tram system.

# Boulder, CO



Parking meter revenue funds downtown EcoPass – a sharply discounted monthly bus pass available to workers

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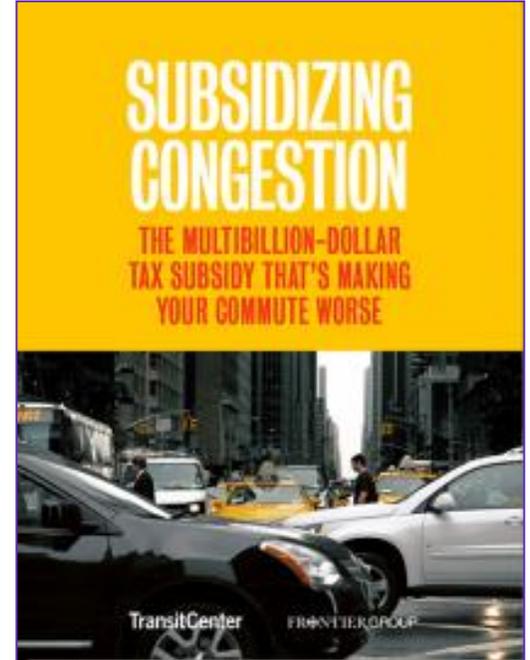
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## *Use parking revenue to fund additional mobility options*

## *Support employer programs that make it easier to take transit, bike, etc.*

## Learn More

*Subsidizing Congestion* report @  
transitcenter.org



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## Get in touch!

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