May 21, 2018

Dear UW–Madison community,

You should have received an email message from UW System on Thursday explaining the potential impact of federal tax law changes for parking fees, vanpool and bus passes. I want to provide additional detail from the campus perspective.

The recent federal tax code overhaul is expected to have a range of impacts, both positive and negative, on UW–Madison employees’ tax liability. As a result of the tax reform provisions passed by Congress and signed into law by President Trump, UW System has required UW institutions, including UW–Madison, to change pre-tax payroll deductions for parking, vanpool, and bus passes to post-tax deductions effective June 1, 2018.

Here is more information about three areas of note:

**Bus pass**
Included in the tax reform bill was a provision that nonprofit entities, such as UW–Madison, that subsidize an employee’s transportation costs will be taxed on that subsidy. The subsidy will be subject to a flat tax rate of 21 percent.

This change affects the employee bus pass program, which UW–Madison heavily subsidizes on behalf of employees, covering 91 percent of the $1.6 million program cost. Starting with the 2018-19 academic year, bus passes for UW–Madison employees will cost $48 per year, compared to the current $36.

Because of UW–Madison’s commitment to providing employees with low-cost options for commuting to work, we will continue to subsidize employee bus passes. We are considering other options to help cover costs due to the federal tax law changes; however, we project the cost of the bus pass will increase by $12 in each of the next two years. Bus passes could rise further in future years.

**Parking and vanpool**
As stated in UW System’s message, parking and vanpool fees will be deducted on a post-tax basis for all UW employees starting June 1, 2018. Employees’ net cost increase will vary depending on the parking permit/vanpool cost and income level of the employee.

A full memo on parking rates will be shared with campus parkers soon.

**Other federal tax implications**
The tax law also changed the federal income tax withholding amount for most UW–Madison employees. A tax withholding calculator is available at the IRS website ([irs.gov/individuals/irs-withholding-calculator](https://irs.gov/individuals/irs-withholding-calculator)). Employees are encouraged to do a “Paycheck Checkup” and to contact your HR representative if you have questions.

The tax bill’s impact on take-home pay will vary depending on an individual’s tax bracket. Employees will receive more information relating to other potential tax impacts in the coming weeks.
I recognize that changes to our tax laws can be somewhat confusing and challenging. We will do our best to keep you informed.

Thank you for all you do for UW–Madison.

Laurent Heller
Vice Chancellor for Finance and Administration