

Parking Permit Deductions Pre-tax or Post-tax?

You may now choose to purchase your employee parking permit through Payroll deduction on a Pre-tax or Post-tax basis. It is important to note that there are “No Refunds” allowed for permits purchased through Payroll deduction.

Pre-tax means the deduction occurs before the tax is calculated and deducted and once this option is chosen it may not be changed until the next election period. Pre-tax deductions reduce your taxable income, meaning that the amount of income in your pay that is used to calculate your taxes is reduced because you have a Pre-tax deduction. This is a way to reduce your Federal, State and Medicare tax liability. Post-tax means deductions occur after the tax is calculated and deducted. Please review the following information to determine the most beneficial way for you to purchase a parking permit.

Public Employee Retirement Association (PERA) Retirement Plan Participants

Pre-Tax

- Pre-tax deductions can affect your highest average salary (HAS) in calculating your retirement benefits under PERA.
- PERA retirement benefits are based on the average of your three highest annual salaries.
- If you are within three to four years of retirement and you are at your highest career salary level, pre-tax deductions could reduce your PERA retirement benefit. Therefore, you should consider carefully the effect of salary reductions, including pre-tax deductions, on your retirement benefit.
- Pre-tax deductions may make your take home pay greater, but your PERA contribution and Medicare Tax will be based on your reduced salary.

Post-Tax

- Deductions on a Post-tax basis and will not affect your PERA Retirement Plan highest average salary.
- Deductions occur after the tax is calculated and deducted, which does not reduce your Federal, State and Medicare tax liability.

Defined Contribution Plan (DCP) Retirement Plan Participants

Pre-Tax

- Pre-tax deductions for DCP plan participants are considered covered salary and will “have no effect” on your retirement benefits.
- Pre-tax deductions affect your Federal, State and Medicare tax liability as they are also based on this reduced salary amount.

Post-Tax

- Deductions occur after the tax is calculated and deducted, which does not reduce your Federal, State and Medicare tax liability.