

# Case Study: Tax Credit for Sustainable Commute Programs

## What is the Commute Trip Reduction Tax Credit?

Did you know, employers in Washington who provide Commute Trip Reduction (CTR) incentives to their employees are eligible for a credit against their Business and Occupation (B&O) Tax or Public Utility Tax (PUT) Liability? It's true! Businesses who pay for subsidies and incentives for their employees for non-drive alone modes are eligible.

Benefits that are eligible for the credit include, but aren't limited to:

- Public Transportation Subsidies
  - [ORCA Business Passport](#)
  - [ORCA Choice](#)
- Ride or Car Sharing Subsidies
  - Vanpool or Vanshare
- Active Commuting Incentives

*\*\*Telework benefit costs are not eligible for the tax credit.*



## History of the Tax Credit

The Commute Trip Reduction Tax Credit was enacted in 1994 to incentivize companies to provide benefits for commute modes other than driving alone. The legislative goals of the tax credit are similar to the goals of the Commute Trip Reduction Law, enacted in 1991, as both are intended to reduce traffic congestion, air pollution, and energy use and increase sustainable commute modes. However, unlike the CTR Law, the CTR Tax Credit is a voluntary credit that organizations of any size that are paying B&O or PUT tax can apply for. The only requirement is that the organizations provide their employees with financial incentives to encourage commute alternatives to driving alone.

The tax credit has been extended and amended numerous times since first enacted in 1994. The credit was recently extended **through June 30, 2025** and faces potential expiration or additional amendments. This is the last chance to apply for this credit as it's currently written!

## When to Apply?

You must apply electronically through your Washington State [MyDOR](#) account between January 1st – 31st to receive credit for CTR incentive payments made in the prior calendar year.

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## Who is eligible to apply?

Businesses, non-profits, or government agencies of any size that provide non-drive alone commute incentives and have paid B&O tax or PUT liabilities.

## How much of a credit?

The credit is equal to 50% of the subsidies or incentives that you paid, not to exceed \$60 in credit per employee per year. Businesses may receive up to \$100,000 in credit per year. This means, if you provided at least \$120 of sustainable transportation incentives to each of your employees, you'll be eligible for the full credit of \$60 per employee. The statewide tax credit has a funding pool of \$2.75 million. If the amount of applications exceeds this, then businesses may receive less than the full \$60 per employee in tax credit.

## What is the Business and Occupation (B&O) tax?

The state B&O tax is a gross receipts tax. It is measured on the value of products, gross proceeds of sale, or gross income of the business. Washington, unlike many other states, does not have an income tax. Washington's B&O tax is calculated on the gross income from activities. This means there are no deductions from the B&O tax for labor, materials, taxes, or other costs of doing business, making this credit one of the few ways to reduce the B&O tax.

## What is the Public Utility Tax (PUT) Liability?

The PUT Liability is a tax on public service businesses, including businesses that engage in transportation, communications, and the supply of energy, natural gas, and water. The tax is in lieu of the business and occupation (B&O) tax.

## Helpful Links

- [SDOT How to File](#)
- [B&O Tax DOR page](#)
- [DOR Special Notice](#)
- [PUT liability DOR page](#)
- [Credits DOR page](#)

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## Next Steps

### **Employee Transportation Coordinators:**

Reach out to your HR and Accounting teams! You can forward this resource to them to make sure your organization is participating in this benefit.

### **Building Transportation Coordinators:**

If your property management company provides a commute trip benefit to your company's staff, you still might be eligible to apply. Reach out to your HR and Accounting teams!

### **Small Business Owners**

Applying is easy! You just need to know how much you spent per employee on non-drive alone incentives, such as ORCA cards. You can find this information on your ORCA invoice(s). Reach out to your tax or financial advisor before submitting your application.

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## Key Takeaways

- Washington employers who provide benefits for sustainable commuting are eligible for a tax credit
- Applications are open from January 1st - 31st for incentives provided in the prior tax year
- If you provided a transit benefit to your employees, no matter your company's size, you are likely eligible
- Confirm with your accountant or accounting team
- [Reference SDOT's How To Apply Guide](#)

**Want to learn more CTR, ORCA Business Programs, and more? Contact Us!**

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[www.commuteseattle.com](http://www.commuteseattle.com)

*This case study is intended to bring awareness about an available tax credit that businesses may be eligible for and is not official tax guidance. Consult your organization's tax or financial advisor before submitting your application.*