STATE OF MINNESOTA
Legislative Budget Office

Employer Transit Pass Credit Evaluation Summary

Objective

The objective of the Employer Transit Pass Credit is to incentivize Minnesota employers to subsidize transit passes for their employees to encourage the use of public transit.

Background

The Employer Transit Pass Credit is a non-refundable credit available to employers who provide transit passes to their employees for free or at a reduced charge. The credit is equal to 30% of expenses incurred by the employer to provide transit passes to employees for use in Minnesota. Employers may claim the credit under the individual income tax or the corporate franchise tax. The Metropass is the pass associated with the Employer Transit Pass Credit within the Metro Transit system. There are 47 public transit systems in Greater Minnesota operated by local governments, joint powers organizations, non-profits, and tribal governments. There was limited access to public transit use associated with the credit in Greater Minnesota.

Summary Information

Year Enacted	2000
Statute	Minnesota Statutes 2025, section 290.06, subdivision 28
Tax Type	Individual Income Tax Corporate Franchise Tax
Provision Type	Nonrefundable Credit
Latest Fiscal Impact Estimate	$1,000,000 – Fiscal Year 2027 combined for both tax types
Latest Claims Estimate	62 – Tax Year 2023
Expiration Date	None

Key Findings

- Utilization of public transit associated with the credit has reduced since 2020. On average, 15% of all Metro Transit system rides were attributed to Metropass holders between 2012-2019. In 2024, 3% of all Metro Transit rides were associated with the Metropass, indicating reduced utilization.
- Metropass purchases have decreased significantly. On average, over 38,400 passes were purchased annually between 2012-2019. Just over 9,000 passes were purchased annually, on average, from 2022-2024.
- Claimants for the credit have decreased significantly for employers that file under the individual income tax, going from a high of 417 claimants in 2017 to a low of 26 claimants in 2023. Claims began to drop significantly in 2020, which aligns with the increase of work from home arrangements in response to the COVID-19 pandemic.

- The annual average amount of claimants under the corporate franchise tax is 44 for years 2014-2023, not including 2022 which had an outlier of 119 claimants. See Table 1 for more details to employer claims.
- Due to the non-refundable nature of the tax credit, not all claims are fully utilized. On average 79% of available credits claimed by corporate filers are utilized.

Table 1. Employer Transit Pass Credit Claims by Tax Type, 2014-2023

Tax Year	Number of Claimants – Individual Income Tax	Credit Amount Claimed – Individual Income Tax	Number of Claimants – Corporate Franchise Tax	Credit Amount Claimed – Corporate Franchise Tax
2014	419	$42,277	46	$1,106,552
2015	418	$49,223	42	$1,058,358
2016	400	$50,688	46	$1,068,735
2017	430	$39,694	48	$1,111,389
2018	422	$48,057	44	$1,182,520
2019	439	$53,996	44	$1,172,431
2020	206	$21,848	39	$1,081,522
2021	26	$147,900	51	$532,742
2022	30	$111,520	119	$1,263,090
2023	26	$6,477	36	$372,086

Source: Department of Revenue Tax Research Division

Limitations

- Analysis of public transit use associated with the credit is limited to the Twin Cities Metro.
- The level of subsidies offered by individual employers and commuting behavior of respective employees is data that would be important to evaluate this tax incentive but was not available.
- Adoption or increase of work from home arrangements by participating employers and past participants is unknown but suspected to have impacted commuting behavior.

Contact Information and Disclaimer

- This tax expenditure evaluation was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission.
- For more information, please visit the Tax Expenditure Review Commission website. For the complete report visit the TERC report page.
- Contact the Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov with questions.