



Increasing Transit Ridership

State governments have an important role to play in increasing transit ridership. Boosting transit funding is the first and most important step toward creating a transit system that encourages riders to choose to take the bus or train. But states can also incentivize increased ridership through a range of free or low-cost methods, from transit-oriented development policies to encouraging use of the federal commuter benefit programs.



ATU supports transit-oriented development, which is an urban planning model that promotes the development of more housing, retail, and commercial spaces near public transit stations of all kinds. Developing near public transit increases job access, promotes public health, adds real estate value, and boosts agencies' budgets, thanks to increased transit ridership and accompanying fare revenue.

The core of transit-oriented development is encouraging developers to build near transit stations so that more people will ride the system, and state governments have a critical role to play in achieving that goal. State legislators

can provide instrumental support for transit-oriented development by removing parking minimums, eliminating or raising residential property height limits, and increasing the number of dwelling units permitted on land near transit stations and stops. States can look to legislation like the MBTA Communities Act in Massachusetts to find a model for how to incentivize transit-oriented development. The MBTA Act requires cities and towns served by the MBTA to create zones near transit stations where multifamily housing is allowed by right, so that more people will have the opportunity to live near a transit station.¹

States should allow transit agencies to embark on joint development projects which allow developers and transit agencies to share the cost of developing the area around a transit station. This is beneficial to agencies because it is a way to get private developers to help pay for the transit infrastructure on which they rely. Transit agencies can raise revenue by leasing land to developers, and they also benefit from the boost to ridership that new homes and businesses bring. State governments can facilitate these policies by giving transit agencies the power to develop land in conjunction with businesses and nonprofits. Illinois

Transit-Oriented Development maximizes residential, commercial, and leisure space within walking distance of transit facilities, resulting in greater transit ridership and opportunities for agencies to generate revenue for transit service.

¹ Massachusetts Office of the Attorney General, "MBTA Communities Law Q&A," Mass.gov, Accessed Jan. 9, 2026, <https://www.mass.gov/info-details/mbta-communities-law-qa>.

took this step in 2025 when the state legislature passed the Northern Illinois Transit Authority Act (NITA). Chicagoland's new regional transit agency, NITA, will be empowered to participate in residential and commercial development to increase revenue and ridership.²

States can also increase transit ridership by requiring companies to notify their employees about the federal tax-free commuter benefits program. This is an employer provided benefit that can cover the costs of an employee's commute via transit up to a monthly cap of \$340 for 2026.³ The benefit can be offered pre-tax, as a subsidy, or in combination. Reducing the cost of public transportation is one of the best incentives to get people on board the bus or train. That's why ATU and transit advocates have launched legislation at the state and local levels that requires employers with at least 20 workers to offer commuter benefits to their employees. These laws ensure that people are presented with information about the tax-free transit pass program, so they can make an educated decision on how they want to get to work.

Transit is a public good; it boosts the economy, reduces pollution, and ensures that citizens have access to jobs, schools, medical services, and recreation. Transit-oriented development policies, joint development projects, and notification policies about the federal commuter benefits program are all free ways for state governments to incentivize transit ridership and ensure that transit systems, and the communities they serve, can thrive.

ATU SUPPORTS:

- 1) **Implementing transit-oriented development policies that promote dense development near transit stations;**
- 2) **Empowering transit agencies to develop land near transit stations and enter into joint-development agreements with private businesses and nonprofits;**
- 3) **Requiring employers with 20 or more employees to offer tax-free transit commuter benefits to workers; and**
- 4) **Establishing state tax incentives for companies and public bodies whose employees use mass transit and state tax credits for employers that provide commuter benefits to employees.**



² Regional Transportation Authority, *Senate Bill 2111 Preliminary Bill Summary* (Accessed Jan. 9, 2026), 21-22, https://www.rtachicago.org/uploads/files/meeting-materials/Board-Meetings/2025/November/November-6/3a_Legislative_Update_on_SB2111.pdf.

³ U.S. Internal Revenue Service, *Employer's Tax Guide to Fringe Benefits*, Publication 15-B (Dec. 23, 2025) 2, 22, <https://www.irs.gov/pub/irs-pdf/p15b.pdf>.