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Transfers on or after October 12, 1984. (See §302–17.4(c) of this chapter.)

(d) Mobile home movement. Expenses for the movement of a mobile home for use as a residence when movement is authorized instead of shipment and temporary storage of household goods. (See part 302–10 of this chapter.)

(e) Househunting trip. Travel (including per diem) and transportation expenses of the employee and spouse for one round trip to the new official station to seek permanent residence quarters. (See part 302–5 of this chapter.)

(f) Temporary quarters. Subsistence expenses of the employee and immediate family during occupancy of temporary quarters. (See part 302–6 of this chapter.)

(g) Real estate expenses. Allowable expenses for the sale of the residence (or expenses of settlement of an unexpired lease) at the old official station and for purchase of a home at the new official station for which reimbursement is received by the employee. (See part 302–11 of this chapter.)

(h) Miscellaneous expense allowance. A miscellaneous expense allowance for the purpose of defraying certain expenses associated with discontinuing a residence at one location and establishing a residence at the new location in connection with an authorized or approved permanent change of station. (See part 302–16 of this chapter.)

(i) Relocation services. Payments, or portions thereof, made to a relocation service company for services provided to a transferred employee (see part 302–12 of this chapter), subject to the conditions stated in this paragraph and within the general limitations of this section applicable to other covered expenses.

(1) For employees transferred on or after November 14, 1983, through October 11, 1984. The amount of a broker’s fee or real estate commission, or other real estate sales transaction expenses which normally are reimbursable to the employee under §302–11.200 of this chapter, but have been paid by a relocation service company incident to an assigned sale from the employee, provided that such payments constitute income to the employee. For the purposes of this regulation, an assigned sale occurs when an employee obtains a binding agreement for the sale of his/her residence and assigns the inherent rights and obligations of that agreement to a relocation company that is providing services under contract with the employing agency. For example, if the employee incurs an obligation to pay a specified broker’s fee or real estate commission under the terms of the sales agreement, this obligation along with the sales agreement is assigned to the relocation company and may, upon payment of the obligation by the relocation company, constitute income to the employee. (See §302–12.7 of this chapter entitled “Income tax consequences of using relocation companies.”)

(2) For employees transferred on or after October 12, 1984. Expenses paid by a relocation company providing relocation services to the transferred employee pursuant to a contract with the employing agency to the extent such payments constitute income to the employee. (See §302–12.7 of this chapter.)

Note: See reference shown in parentheses for reimbursement provisions for each allowance listed in paragraphs (a) through (i) of this section. See section 217 of the Internal Revenue Code (IRC) and Internal Revenue Service (IRS) Publication 521 entitled “Moving Expenses” and appropriate State and local tax authority publications for additional information on the taxability of moving expense reimbursements and the allowable tax deductions for moving expenses.

§ 302–17.4

Exclusions from coverage.

The provisions of this part are not applicable to the following:

(a) Any tax liability that may result from payments by the Government to relocation companies on behalf of employees transferred on or after November 14, 1983, through October 11, 1984, other than the payments for those expenses specified in §302–17.3(i)(1).

(b) Any tax liability incurred for local income taxes other than city income tax as a result of moving expense reimbursements for employees transferred on or after November 14, 1983, through October 11, 1984. (See definition in §302–17.5(b).)

(c) Any tax liability resulting from reimbursed expenses for any extended storage of household goods except as specifically provided for in §302–17.3(c).
§ 302–17.5 Definitions and discussion of terms.

For purposes of this part, the following definitions will apply:

(a) State income tax. A tax, imposed by a State tax authority, that is deductible for Federal income tax purposes as a State income tax under section 164(a)(3) of the IRC. “State” means any one of the several States of the United States and the District of Columbia.

(b) Local income tax. A tax, imposed by a recognized city or county tax authority, that is deductible for Federal income tax purposes as a local (city or county) income tax under section 164(a)(3) of the IRC; except, that for employees transferred on or after November 14, 1983, through October 11, 1984, local income tax shall be construed to mean only city income tax.

For purposes of this regulation:

(1) City means any unit of general local government which is classified as a municipality by the Bureau of the Census, or which is a town or township that in the determination of the Secretary of the Treasury possesses powers and performs functions comparable to those associated with municipalities, is closely settled, and contains within its boundaries no incorporated places as defined by the Bureau of the Census (31 CFR 215.2(e)).

(2) County means any unit of local general government which is classified as a county by the Bureau of the Census (31 CFR 215.2(e)).

(c) Covered moving expense reimbursements or covered reimbursements. As used herein, these terms include those moving expenses listed in §302–17.3 as being covered by the RIT allowance and which may be furnished in kind, or for which reimbursement or an allowance is provided by the Government.

(d) Covered taxable reimbursements. Covered moving expense reimbursements minus the tax deductions allowable under the IRC and IRS regulations for moving expenses. (See determination in §302–17.8(c).)

(e) Year 1 or reimbursement year. The calendar year in which reimbursement or payment for moving expenses is made to, or for, the employee under the provisions of this part. All or part of these reimbursements (see §302–17.6) are reported to the IRS as income (wages, salary, or other compensation) to the employee for that tax year under the provisions of the IRC and IRS regulations, and are subject to Federal tax withholding. The withholding tax allowance (WTA) (see paragraph (f)(1) of this section) is calculated in Year 1, to cover the employee’s Federal tax withholding obligations each time covered moving expense reimbursements are made that result in a Federal tax withholding obligation. For purposes of this part, an advance of funds for any of the covered moving expenses is not considered to be a reimbursement or a payment until the travel voucher settlement for such expenses takes place. If an employee’s reimbursement for moving expenses is spread over more than one year, he/she will have more than one Year 1.

(f) Year 2. The calendar year in which a claim for the RIT allowance is paid.

(1) Generally, Year 2 will be the calendar year immediately following Year 1 and in which the employee files a tax
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return reflecting his/her tax liability for income received in Year 1. However, there may be instances where the employee’s claims submission and/or payment of the RIT allowance is delayed beyond the calendar year immediately following Year 1. (Year 1 will always be the calendar year that reimbursements are received; see paragraph (e) of this section.) Year 2 will be the calendar year in which the RIT allowance is actually paid.

(2) The RIT allowance is calculated in Year 2 and paid to cover the additional tax liability (resulting from moving expense reimbursements received in Year 1) not covered by the WTA paid in Year 1. If an employee’s covered taxable reimbursements are spread over more than one year, he/she will have more than one Year 2.

(g) Federal withholding tax rate (FWTR). The tax rate applied to incremental income to determine the amount to be withheld for Federal income tax from salary or other compensation such as moving expense reimbursements. Because moving expense reimbursements constitute supplemental wages for Federal income tax purposes, the 20 percent flat rate of withholding is generally applicable to such reimbursements. (See §302-17.7(o).) Agencies should refer to the Treasury Financial Manual, TFM 3–5000, and applicable IRS regulations for complete and up-to-date information on this subject.

(b) Earned income. For purposes of the RIT allowance, “earned income” shall include only the gross compensation (salary, wages, or other compensation such as reimbursement for moving expenses and the related WTA (see paragraph (n) of this section) and any RIT allowance (see paragraph (m) of this section) paid for moving expense reimbursement in a prior year) that is reported as income on IRS Form W-2 for the employee (employee and spouse, if filing jointly), and if applicable, the net earnings (or loss) for self-employment income shown on Schedule SE of the IRS Form 1040. Earned income may be from more than one source. (See §302-17.8(d).)

(i) Marginal tax rate (MTR). The tax rate (for example, 33 percent) applicable to a specific increment of income.

The Federal, Puerto Rico, and State marginal tax rates to be used in calculating the RIT allowance are located at www.gsa.gov/frtbulletin (see §302-17.14). (See §302-17.8(e)(3) for instructions on local marginal tax rate determinations.)

(j) Combined marginal tax rate (CMTR). A single rate determined by combining the applicable marginal tax rates for Federal (or Puerto Rico, when applicable), State, and local income taxes, using formulas provided in §302-17.8(e)(5).

(k) Gross-up. Payment for the estimated additional income tax liability incurred by an employee as a result of reimbursements or payments by the Government for the covered moving expenses listed in §302-17.3.

(l) Gross-up formulas. The formulas used to determine the amount of the gross-up for the WTA and the RIT allowance. The gross-up formulas used herein compensate the employee for the initial tax, the tax on tax, etc. Note that the WTA gross-up formula in §302-17.7(d) is different than the RIT gross-up formula prescribed in §302-17.8(f).

(m) RIT allowance. The amount of payment computed and paid in Year 2 to cover substantially all of the estimated additional tax liability incurred as a result of the covered moving expense reimbursements received in Year 1.

(n) Withholding tax allowance (WTA). The withholding tax allowance (WTA), paid in Year 1, covers the employee’s Federal income tax withholding liability on covered taxable reimbursements received in Year 1. The amount is computed by applying the withholding gross-up formula prescribed in §302-17.7(d) (using the Federal withholding tax rate) each time that a Federal withholding obligation is incurred on covered moving expense reimbursements received in Year 1. Grossing-up the Federal withholding amount protects the employee from using part of his/her moving expense reimbursement to pay Federal withholding taxes. (See §302-17.7.)

(o) State gross-up. Payment for the estimated additional State income tax liability incurred by an employee as a result of reimbursements or payments

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