

Relocation Allowances

§ 302-17.103

(b) Determine, in light of the specific circumstances of each employee relocation, which reimbursements, allowances, and direct payments to vendors are taxable, and which are nontaxable.

(c) Decide whether or not you will allow individual employees and/or categories of employees to choose not to receive the WTA.

(d) Calculate the WTA, and credit the amount of the WTA to the employee at the time of reimbursement.

(e) Prepare the employee's W-2 Form(s) and ensure that it (they) reflect(s) the WTA.

(f) Provide each employee an itemized list of relocation expenses after the end of each calendar year in which you provided an allowance, reimbursement, or direct payment to a vendor.

(g) Establish processes for identifying the relevant Federal, state, and local marginal tax rates and for keeping that information current.

(h) Establish processes for identifying states that treat a reimbursement or direct payment to a vendor as taxable even though it is nontaxable under the Federal IRC, and for keeping that information current.

(i) Calculate the employee's CMTR(s).

(j) Decide whether you will use the one-year or two-year RITA process and whether you will use different processes (that is, one-year or two-year) for different groups of employees within your agency.

(k) Make sure the RITA calculation is done correctly and in a timely manner, whether your policies call for the calculation to be done by you or by a third party.

(l) Make sure that payment of the RITA occurs in a timely manner (this is especially critical for the one-year process).

(m) Develop criteria for accepting and rejecting requests for recalculation of RITA.

(n) Establish a process for recalculating the RITA when the employee's request for recalculation is accepted.

(o) Consult with IRS for clarification of any confusion stemming from taxes on relocation expenses.

§ 302-17.102 What happens if an employee fails to file and/or amend a "Statement of Income and Tax Filing Status" prior to the required date?

(a) If a relocating employee does not file and/or amend a "Statement of Income and Tax Filing Status" prior to the required date, and you are using a one-year RITA process, you are to switch to a two-year RITA process and send a written warning to the employee reminding them of the requirement and informing them that if they do not submit the "Statement of Income and Tax Filing Status," you may declare the entire amount of the WTA forfeited.

(b) If the relocating employee does not file and/or amend a Statement of Income and Tax Filing Status prior to the required date, and you are using a two-year RITA process, you are to send the employee a written warning informing them they have 60 days to file or amend their "Statement of Income and Tax Filing Status," or you will declare the WTA that you have already paid on his/her behalf forfeited and due as a debt to the Government.

(c) If the relocating employee chose not to receive the WTA and fails to file a Statement of Income and Tax Filing Status prior to your required date, you are to send the employee a written warning that they have 60 days to file. If the employee still fails to file, you may close your case file and refuse any later claims for RITA related to this specific relocation.

§ 302-17.103 What are the advantages of choosing a 1-year or a 2-year RITA process?

(a) The one-year process is simpler. It reimburses the employee more quickly, and it eases the administrative burden required to calculate the RITA. Most importantly, the one-year process eliminates the possibility of charging employees for excess payments to the IRS, the so-called "negative RITA."

(b) The two-year process provides a somewhat more accurate calculation of the additional taxes the employee incurs because it is based on the employee's actual Year One taxable income