

## § 302-17.45

(c) If the applicable Puerto Rico marginal tax rate, as shown in the tables provided by the Commonwealth of Puerto Rico, is *higher* than the applicable Federal marginal tax rate and one or more of the state(s) involved *does not allow* an adjustment or credit for income taxes paid to the other state(s) and/or Puerto Rico, then your agency uses the formula below:

$$\text{CMTR} = P + S + L$$

Where:

P = Your Puerto Rico marginal tax rate

S = Your state marginal tax rate, if any

L = Your local marginal tax rate, if any

### § 302-17.45 What if I incur income tax liability to the Commonwealth of the Northern Mariana Islands or any other territory or possession of the United States?

If you are relocated to, from, or within the Commonwealth of the Northern Mariana Islands or any territory or possession of the United States that is covered by the definition in § 302-17.1, your agency will have to determine the tax rules of that locality and then include those taxes in your RITA calculation, as applicable.

## 41 CFR Ch. 302 (7-1-23 Edition)

### Subpart E—Special Procedure If a State Treats an Expense as Taxable Even Though It Is Nontaxable Under the Federal IRC

#### § 302-17.46 What does my agency do if a state treats an expense as taxable even though it is nontaxable under the Federal IRC?

If one or more of the states where you have incurred tax liability for relocation expenses treats one or more relocation expenses as taxable, even though it (they) are nontaxable under Federal tax rules, you may be required to pay additional state income tax when you file tax returns with those states. In this case, your agency calculates a state gross-up to cover the additional tax liability resulting from the covered relocation expense reimbursement(s) that are nontaxable under Federal, but not state tax rules. Your agency calculates the state gross-up and then adds that amount to your RITA. Your agency will use this formula to calculate the state gross-up:

$$\text{State Gross-up} = S \times \left( \frac{1-F}{1-C} \right) \times N$$

F = Federal Marginal Tax Rate

S = State Marginal Tax Rate

C = CMTR

N = Dollar amount of covered relocation expenses that are nontaxable under Federal tax rules but are taxable under state tax rules

3. The difference represents “N.”

NOTE TO § 302-17.46: This calculation is the same, regardless of whether your agency has chosen to use the one-year or two-year RITA process.

### Subpart F—The One-Year RITA Process

#### § 302-17.50 What information should I provide to my agency to make the RITA calculation possible under the one-year process?

You should provide the information required in the “Statement of Income and Tax Filing Status” as follows:

All information, except “N,” can be found in previous calculations (if moving to, from, or within Puerto Rico, follow the rules in 302-17.44 to determine when to substitute “P” for “F”).

“N” is determined as follows:

1. Take the dollar amount of reimbursements, allowances, and direct payments to vendors treated as nontaxable under Federal tax rules.

2. Subtract the dollar amount of reimbursements, allowances, and direct payments to vendors treated as nontaxable by the state.

## Relocation Allowances

## § 302-17.53

### STATEMENT OF INCOME AND TAX FILING STATUS—ONE-YEAR PROCESS

The following information, which my agency will use in calculating the RITA to which I am entitled, was shown on the Federal, state, and local income tax returns that I (or my spouse and I) filed for the 20 \_\_\_\_\_ tax year (this should be the most recent year in which you filed).

Federal Filing status:

- ☐ Single ..... ☐ Head of Household  
☐ Married Filing Jointly ..... ☐ Qualifying Widow(er)  
☐ Married Filing Separately.

(a) Taxable income as shown on my (our) IRS Form 1040: \$ \_\_\_\_\_

Significant future changes in income (including cost of living raises) that you can foresee for the current year:

\_\_\_\_\_ Increase \_\_\_\_\_ Decrease \_\_\_\_\_ No Foreseeable Changes

(b) Approximate net amount of this (these) change(s): \$ \_\_\_\_\_

(c) Predicted taxable income for the current tax year 20 \_\_\_\_\_ = Sum of (a) and (b) = \$ \_\_\_\_\_

State you are moving out of: \_\_\_\_\_

Filing status for the state moving out of: \_\_\_\_\_

Marginal Tax Rate: \_\_\_\_\_%

State you are moving into: \_\_\_\_\_

Filing status for the state moving into: \_\_\_\_\_

Marginal Tax Rate: \_\_\_\_\_%

Locality you are moving out of: \_\_\_\_\_

Filing status for the locality moving out of: \_\_\_\_\_

Marginal Tax Rate: \_\_\_\_\_%

Locality you are moving into: \_\_\_\_\_

Filing status for the locality moving into: \_\_\_\_\_

Marginal Tax Rate: \_\_\_\_\_%

The above information is true and accurate to the best of my (our) knowledge. I (we) agree to notify the appropriate agency official of any significant changes to the above so that appropriate adjustments to the RITA can be made.

Employee's signature \_\_\_\_\_

Date \_\_\_\_\_

Spouse's signature (if filing jointly) \_\_\_\_\_

Date \_\_\_\_\_

### § 302-17.51 When should I file my "Statement of Income and Tax Filing Status" under the one-year process?

For the one-year process, you should file this form as soon as you receive your relocation orders, or as soon as you file your tax returns for the most recent tax year, whichever occurs later.

### § 302-17.52 When should I file an amended "Statement of Income and Tax Filing Status" under the one-year process?

You should submit an amended "Statement of Income and Tax Filing Status" to your agency under the one-year process whenever the information on it changes, and you should continue to amend it until you have received the last W-2 from your agency in connection with a specific relocation. In particular, you should file an amended version of this statement whenever:

- (a) Your filing status changes;  
(b) Your income changes enough that your income, including WTA and RITA,

might put you into a different tax bracket; or

(c) You have taxable relocation expenses in a second or third calendar year.

NOTE TO § 302-17.52: Your agency will not be able to use your original or amended "Statement of Income and Tax Filing Status" if you file it after the cut-off date established by your agency in accordance with § 302-17.54(b).

### § 302-17.53 What happens if I do not file and amend the "Statement of Income and Tax Filing Status" in a timely manner?

If you don't file the "Statement of Income and Tax Filing Status" and/or amend it when necessary, your agency will switch to the 2-year process, and because the WTA is an advance of your income tax expenses, you will be liable to repay the full amount of the WTA that your agency has paid to the IRS. See subpart G of this part.