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AUTHORITY: 5 U.S.C. 5724b; 5 U.S.C. 5738; E.O. 11609, as amended, 3 CFR, 1971-1975 Comp., p. 586.

SOURCE: FTR Amdt. 2014-01, 79 FR 49645, Aug. 21, 2014, unless otherwise noted.

#### § 302-17.0 General.

Use of the pronouns “I,” “you,” and their variants throughout this part refer to the employee, unless otherwise noted.

#### Subpart A—General

##### § 302-17.1 What special terms apply to this part?

The following definitions apply to this part:

*Allowance* means:

(1) Money paid to the employee to cover future expenses, such as the miscellaneous expense *allowance* (see part 302-16 of this chapter for information about the miscellaneous expense *allowance*);

(2) Money paid to the employee to cover past expenses, such as the relocation income tax *allowance* (RITA) under the two-year tax process described in part 302-17, subpart G; or

(3) A limit established by statute or regulation, such as the 18,000 pound net weight *allowance* for household goods shipments (see part 302-7 of this chapter for information about the 18,000 pound net weight *allowance*).

*City* means any unit of general local government as defined in 31 CFR 215.2(b).

*Combined marginal tax rate (CMTR)* means a single rate determined by combining the applicable marginal tax rates for Federal, state, and local income taxes, using the formula provided in § 302-17.40. (If you incur liability for income tax in the Commonwealth of Puerto Rico, see § 302-17.44.)

*County* means any unit of local general government as defined in 31 CFR 215.2(e).

*Gross-up* used as a noun in this part means:

(1) The process that your agency uses to estimate the additional income tax liability that you incur as a result of relocation benefits and taxes on those benefits; or

(2) The result of the *gross-up* process.

NOTE: The *gross-up* allows for the fact that every reimbursement of taxes is itself taxable. Therefore, the gross-up calculates the amount an agency must reimburse an employee to cover substantially all of the income taxes incurred as the result of a relocation.

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*Internal Revenue Code (IRC)* means Title 26 of the United States Code, which governs Federal income taxes.

*Local income tax* means a tax imposed by a recognized city or county tax authority that is deductible for Federal income tax purposes as a *local income tax* under the IRC, at 26 U.S.C. 164(a)(3). (See the definitions for the terms *city* and *county* in this section.)

*Marginal tax rate (MTR)* means the tax rate that applies to the last increment of taxable income after taxable relocation benefits have been added to the employee's income. Examples of how to determine the marginal tax rate using the IRS Tax Rate Schedules are published in an FTR bulletin at <https://gsa.gov/ftrbulletins>.

*Reimbursement* means money paid to you to cover expenses that you have already paid for out of your own funds.

*Relocation benefits* means all reimbursements and allowances that you receive, plus all direct payments that your agency makes on your behalf, in connection with your relocation.

*Relocation income tax allowance (RITA)* means the payment to individuals to cover the difference between the withholding tax allowance (WTA), if any, and the actual income tax liability incurred by the individual, and such individual's spouse (if filing jointly), as a result of their taxable relocation benefits authorized pursuant to this chapter. RITA is paid whenever the actual income tax liability exceeds the WTA and applies to any travel, transportation, and relocation expenses reimbursed or furnished in kind pursuant to chapter 57, subchapter II of title 5 U.S.C. and 5 U.S.C. chapter 41.

*State* means any one of the several states of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, or any other territory or possession of the United States.

*State income tax* means a tax imposed by a state tax authority that is deductible for Federal income tax purposes under the IRC, specifically 26 U.S.C. 164(a)(3).

*Withholding tax allowance (WTA)* means the amount paid to the Federal IRS by the agency as withholding of income taxes for any taxable relocation

allowance, reimbursement, or direct payment to a vendor.

[FTR Amdt. 2014-01, 79 FR 49645, Aug. 21, 2014, as amended by FTR Amdt. 2020-02, 84 FR 64781, Nov. 25, 2019; 86 FR 73684, Dec. 28, 2021]

### § 302-17.2 Why does relocation affect personal income taxes?

When you are relocated from one permanent duty station to another, you are reimbursed by your employing agency for certain expenses. The IRC requires that you report many of these relocation benefits, including some that your agency pays on your behalf, as taxable income. When you receive taxable benefits, you must pay income tax on the amount or value of those benefits. However, 5 U.S.C. 5724b also requires that your agency reimburse you for substantially all of the additional Federal, state, and local income taxes you incur as a result of any taxable relocation benefits. A reimbursement for taxes is also a taxable benefit on which you must pay additional taxes.

### § 302-17.3 What is the Government's objective in reimbursing the additional income taxes incurred as a result of a relocation?

The Government's objective is to reimburse employees or individuals eligible for relocation expense allowances under § 302-1.1 of this chapter for substantially all (not exactly all—see § 302-17.4) of the additional Federal, state, and local income taxes incurred as a result of a relocation, including the taxes on the taxable relocation benefits and the taxes on the reimbursement for taxes.

[FTR Amdt. 2014-01, 79 FR 49645, Aug. 21, 2014, as amended at 86 FR 73684, Dec. 28, 2021]

### § 302-17.4 Why is the reimbursement for substantially all, and not exactly all, of the additional income taxes incurred as a result of a relocation?

Because of the complexity of the calculations, which involve not only Federal income tax but also the income tax rates of many states and localities, it is not reasonable for the Government to compute the exact impact of relocation on an affected employee's taxes.

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Making a good faith effort to reimburse substantially all additional income taxes is sufficient. The statute where this appears, at 5 U.S.C. 5724b does not define substantially all. This Part provides the description through its provisions.

### **§ 302-17.5 Who is eligible for the WTA and the RITA?**

The withholding tax allowance (WTA) and the relocation income tax allowance (RITA) are the two allowances through which the Government reimburses you for substantially all of the income taxes that you incur as a result of your relocation. You are eligible for the WTA and the RITA if you are relocating in the interest of the Government, and your agency's reimbursements to you for relocation expenses result in you being liable for additional income taxes. Eligibility for WTA and RITA includes, among others, transferred employees, appointments (new or political), assignments under the Government Employees Training Act, and those returning from an overseas assignment for the purpose of separation from Government service.

NOTE TO § 302-17.5: If your agency offers you the choice, the WTA is optional to you. See 302-17.61 through 302-17.69.

[FTR Amdt. 2014-01, 79 FR 49645, Aug. 21, 2014, as amended by FTR Amdt. 2020-02, 84 FR 64782, Nov. 25, 2019; 86 FR 73684, Dec. 28, 2021]

### **§ 302-17.6 Is there any circumstance under which the WTA and the RITA are not paid even though I would otherwise be eligible?**

If you violate the 12-month service agreement under which you are relocated, your agency will not pay the WTA or the RITA to you, and you must repay any relocation benefits paid prior to the violation.

[FTR Amdt. 2014-01, 79 FR 49645, Aug. 21, 2014. Redesignated at 86 FR 73684, Dec. 28, 2021]

### **§ 302-17.7 What limitations and Federal income tax treatments apply to various relocation reimbursements?**

(a) Some relocation expenses reimbursed to you or paid directly by the Government on or after January 1, 2018, and on or before December 31, 2025, must be reported as income and

you cannot claim them as deductible expenses on your Federal tax return.

(b) A table summarizing the FTR allowances, limitations, and tax treatment of each reimbursement, allowance, or direct payment to a service provider or vendor is published at <https://gsa.gov/ftrbulletins>. The table also cites relevant FTR paragraphs for details. GSA will revise the table to reflect any changes as quickly as possible; however, users of this part may wish to consult with a tax advisor to determine what limitations and Federal income tax treatments apply to your relocation reimbursement(s).

[FTR Amdt. 2020-02, 84 FR 64782, Nov. 25, 2019. Redesignated at 86 FR 73684, Dec. 28, 2021]

### **§ 302-17.8 Who is responsible for knowing which relocation expenses are taxable and which expenses are nontaxable?**

Both you and your agency must know which reimbursements and direct payments to vendors are taxable and which are nontaxable in your specific circumstances. When you submit a voucher for reimbursement, your agency must determine whether the reimbursement is taxable income at the Federal, state, and/or local level. Then, when you file your income tax returns, you must report the taxable allowances, reimbursements, and direct payments to vendors as income. Your agency is ultimately responsible for calculating and reporting withholding accurately and you are ultimately responsible for filing your taxes correctly.

[FTR Amdt. 2014-01, 79 FR 49645, Aug. 21, 2014. Redesignated at 86 FR 73684, Dec. 28, 2021]

### **§ 302-17.9 Which expenses should I report on my state tax returns if I am required to file returns in two different states?**

In most cases, your state tax return for the state you are leaving should reflect your reimbursement or allowance, if any, for househunting expenses and your reimbursement or direct payments to vendors for real estate expenses at the home you are leaving. All other taxable expenses should be shown as income on the tax return you file in the state into which you have moved.

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However, you and your agency must carefully study the rules in both states and include everything that each state considers to be income on each of your state tax returns.

[FTR Amdt. 2014-01, 79 FR 49645, Aug. 21, 2014. Redesignated at 86 FR 73684, Dec. 28, 2021]

### **§ 302-17.10 When is an expense considered completed in a specific tax year?**

A reimbursement, allowance, or direct payment to a vendor is considered completed in a specific tax year only if the money was actually disbursed to the employee or vendor during the tax year in question.

[FTR Amdt. 2014-01, 79 FR 49645, Aug. 21, 2014. Redesignated at 86 FR 73684, Dec. 28, 2021]

### **§ 302-17.11 Where can I find additional information and guidance on WTA and RITA?**

GSA has published additional information on WTA and RITA, including the illustrations and examples of various RITA computations, in FTR Bulletins which are updated as necessary. GSA FTR Bulletins may be found at <https://gsa.gov/ftrbulletins>.

[FTR Amdt. 2020-02, 84 FR 64782, Nov. 25, 2019. Redesignated at 86 FR 73684, Dec. 28, 2021]

### **§ 302-17.12 How are taxes on extended TDY benefits and taxes on relocation allowances related?**

(a) Taxes on extended TDY benefits are computed using exactly the same processes described in this Part for the WTA and RITA except that:

(1) The tax process for extended TDY benefits uses the term “withholding tax allowance” (WTA) in exactly the same fashion as the process for taxes on relocation allowances; however, in place of the term “relocation income tax allowance,” the tax process for extended TDY benefits uses the term “extended TDY tax reimbursement allowance” (ETTRA); and

(2) All benefits are taxable under extended TDY, so the sections of this Part that discuss which benefits are taxable and which are not have no relevance to ETTRA.

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(b) See part 301-11, subpart F of this title for additional information about taxes on extended TDY benefits.

[FTR Amdt. 2014-01, 79 FR 49645, Aug. 21, 2014. Redesignated at 86 FR 73684, Dec. 28, 2021]

## **Subpart B—The Withholding Tax Allowance (WTA)**

### **§ 302-17.20 What is the purpose of the WTA?**

The purpose of the WTA is to protect you from having to use part of your relocation expense reimbursements to pay Federal income tax withholding; it does not cover state taxes, local taxes, Medicare taxes, or Social Security taxes (see § 302-17.22(c) and (d)).

NOTE TO § 302-17.20: If your agency offers you the choice, the WTA is optional to you. See §§ 302-17.61 through 302-17.69.

### **§ 302-17.21 What relocation expenses does the WTA cover?**

The WTA covers certain allowances, reimbursements, and/or direct payments to vendors, to the extent that each of them is taxable income. In particular, the WTA covers:

(a) En route lodging, meals and incidental expenses—Reimbursements for lodging, meals and incidental expenses while en route to the new official station for you and your immediate family member(s). (See part 302-4 of this chapter).

(b) Transportation—Transportation expenses, to include commercial air or privately owned vehicle, for you and your immediate family member(s) transferred between official stations. (See part 302-4 of this chapter).

(c) Househunting trip—Travel (including per diem and transportation) expenses for you and/or your spouse for a round trip to the new official station to seek permanent residence quarters. Househunting is covered regardless of whether reimbursed under the per diem allowance or lump sum method. (See part 302-5 of this chapter).

(d) Temporary quarters—Subsistence expenses for you and your immediate family during occupancy of temporary quarters at the old or new official station. Temporary quarters are covered regardless of whether reimbursed under the lodgings-plus, actual expense, or