

Relocation Allowances

§ 302-17.30

Personnel Management, Treasury's Financial Management Service, and the IRS.

(g) Any allowances, reimbursements, and/or direct payments to vendors not related to your relocation; for example, a reimbursement for office supplies would not be covered by the WTA, even if it occurred during your relocation.

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

§ 302-17.23 What are the procedures for my WTA?

(a) Your agency prepares a relocation travel authorization, which includes an estimate of the WTA and RITA, to obligate funds for your relocation.

(b) Your agency pays certain allowances to you. Your agency also pays vendors directly for other relocation expenses.

(c) Your agency instructs you as to whether to submit one voucher after you have completed your relocation or to submit vouchers at various points as your relocation progresses plus another when your relocation is completed.

(d) You submit your voucher(s) for reimbursement of certain relocation expenses.

(e) Your agency determines the extent to which each allowance, each item on your voucher(s), and each direct payment to a vendor is nontaxable or is taxable income to you under the IRC.

(f) For the taxable items, your agency calculates your WTA and any reimbursement(s) due to you in accordance with § 302-17.24. Your agency sets aside the amount of your WTA and pays the IRS as a withholding tax in accordance with IRS requirements.

§ 302-17.24 How does my agency compute my WTA?

Each time your agency pays a covered, taxable relocation expense, regardless of whether it is a reimbursement, allowance, or direct payment to a vendor, it is considered "supplemental wages" as defined in 26 CFR 31.3402(g)-1(a) (see also IRS Publication 15, Employer's Tax Guide). You owe taxes on the WTA itself because, like most other relocation allowances, it is taxable income. To reimburse you for

the taxes on the WTA itself, your agency computes the WTA by using the grossed-up withholding formula below and the appropriate supplemental wage rate, as specified in IRS Publication 15. This rate, along with examples of how to calculate the WTA, is published in an FTR bulletin available at <https://gsa.gov/ftrbulletins>. The formula for calculating the WTA is:

$$\text{WTA} = R / (1 - R) \times \text{Expense}$$

Where R is the withholding rate for supplemental wages.

NOTE TO § 302-17.24: Your agency must deduct withholding for FICA (Medicare and Social Security), as the WTA does not cover such expenses.

[FTR Amdt. 2020-02, 84 FR 64782, Nov. 25, 2019]

Subpart C—The Relocation Income Tax Allowance (RITA)

§ 302-17.30 What is the purpose of the RITA?

(a) The purpose of the RITA is to reimburse you for any taxes that you owe that were not adequately reimbursed by the WTA. As discussed in § 302-17.24, the WTA calculation is based on the income tax withholding rate applicable to supplemental wages. This may be higher or lower than your actual tax rate. The RITA, on the other hand, is based on your marginal tax rate, determined by your actual taxable income and filing status, which allows your agency to reimburse you for *substantially all* of your Federal income taxes. The RITA also reimburses you for any additional state and local taxes that you incur as a result of your relocation, because they are not reimbursed in the WTA process.

(b) The WTA may be optional to you. See § 302-17.61 for a discussion of criteria for choosing whether or not to accept the WTA. See §§ 302-17.62 through 302-17.69 for procedures if you choose not to accept the WTA.

[FTR Amdt. 2014-01, 79 FR 49645, Aug. 21, 2014, as amended by FTR Amdt. 2020-02, 84 FR 64783, Nov. 25, 2019]

§ 302-17.31 What are the procedures for calculation and payment of my RITA?

The procedures for the calculation and payment of your RITA depend on whether your agency has chosen to use a one-year or two-year RITA process. See Subpart F for the one-year process and Subpart G for the two-year process.

§ 302-17.32 Who chooses the one-year or two-year process?

Your agency or a major component of your agency determines whether it will adopt a one-year or two-year RITA process. Your agency may use the one-year RITA process for one or more specific categories of employees and the two-year process for one or more other categories.

§ 302-17.33 May I ask my agency to recalculate my RITA?

(a) Yes, you may ask your agency to recalculate your RITA provided you filed your “Statement of Income and Tax Filing Status,” and amended it, if necessary, in a timely manner. If, once you have completed all Federal, state, and local tax returns, you believe that your RITA should have been significantly different from the RITA that your agency calculated, you may ask your agency to recalculate your RITA. This is true for either the one-year or two-year process. With any request for recalculation, you must submit a statement explaining why you believe your RITA was incorrect.

(b) Please note that your agency may require that you also submit an amended “Statement of Income and Tax Filing Status” (if, for example, you inadvertently did not report some of your income in your original Statement), your actual tax returns, or both, as attachments to your request for recalculation.

NOTE TO § 302-17.33: Please see § 302-17.55, if your agency uses a one-year RITA process, or § 302-17.68, if your agency uses a two-year RITA process, for more information about positive and negative RITA calculations.

Subpart D—The Combined Marginal Tax Rate (CMTR)

§ 302-17.40 How does my agency calculate my CMTR?

(a) The CMTR is a key element that greatly enhances the accuracy of the calculation of your RITA. Your agency uses the information on your “Statement of Income and Tax Filing Status,” as amended, to determine your CMTR, as follows (see subparts F and G of this part for information about the “Statement of Income and Tax Filing Status”).

(b) The CMTR is, in essence, a combination of your Federal, state, and local tax rates. However, the CMTR cannot be calculated by merely adding the Federal, state, and local marginal tax rates together because of the deductibility of state and local income taxes from income on your Federal income tax return. The formula prescribed below for calculating the CMTR, therefore, is designed to adjust the state and local tax rates to compensate for their deductibility from income for Federal tax purposes. Examples of how to calculate the CMTR are published in an FTR bulletin available at <https://gsa.gov/ftrbulletins>.

(c) The formula for calculating the CMTR is:

$$\text{CMTR} = F + (1 - F)S + (1 - F)L$$

Where:

F = Your Federal marginal tax rate
S = Your state marginal tax rate, if any
L = Your local marginal tax rate, if any

(d) Your agency finds the Federal marginal tax rate by comparing your taxable income, as shown in your “Statement of Income and Filing Status,” to the Federal tax tables in the current year’s Form 1040-ES instructions (see §§ 302-17.50–302-17.53 and §§ 302-17.63–302-17.65 for additional information on the “Statement of Income and Tax Filing Status”).

(e) Your agency finds the state and local marginal tax rates that apply to you (if any) by comparing your taxable income to the most current state and/or local tax tables provided by the states and localities. Every Federal payroll office and every provider of tax calculation software has these tables readily available, and the tables are