

**§ 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

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also available on the Web sites of the various state and local taxing authorities.

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

### § 302-17.41 Is there any difference in the procedures for calculating the CMTR, depending on whether my agency chooses the one-year or two-year RITA process?

No. The procedures for calculating the CMTR are the same for the one-year and two-year RITA processes.

### § 302-17.42 Which state marginal tax rate(s) does my agency use to calculate the CMTR if I incur tax liability in more than one state, and how does this affect my RITA and my state tax return(s)?

If two or more states that are involved in your relocation impose an income tax on relocation benefits, then your relocation benefits may be taxed by both states. Most commonly, your old and new duty stations are in the two states involved. The following table lays out the possibilities:

If:	But:	Your agency will use the following as the state marginal tax rate in the CMTR:	Your RITA will include an appropriate allowance for:	Your action:
Only one involved state has a state income tax.		The marginal tax rate of the one state that taxes income.	Taxes you incur in that state.	You pay the taxes required by the state that taxes income.
Each involved state taxes a different set of your relocation benefits, with no overlap.		The average of the marginal tax rates for each state involved.	Taxes you incur in all involved states.	You file tax returns in each involved state and pay the applicable taxes.
Two or more involved states tax some of your same relocation benefits.	All involved states <i>allow</i> you to adjust or take a credit for income taxes paid to other states.	The marginal tax rate of the state that has the highest state income tax rate.	Taxes you incur in all involved states.	You file tax returns in each involved state, take the appropriate credits and/or adjustments, and pay the applicable taxes.

If:	But:	Your agency will use the following as the state marginal tax rate in the CMTR:	Your RITA will include an appropriate allowance for:	Your action:
Two or more involved states tax some of the same relocation benefits.	One or more involved states <i>does not allow</i> you to adjust or take a credit for income taxes paid to other states.	The sum of all applicable state marginal tax rates.	Taxes you incur in all involved states.	You file tax returns in each involved state, and pay the applicable taxes. This may result in paying taxes in more than one state on the same relocation benefits.

**§302-17.43 What local marginal tax rate(s) does my agency use?**

(a) If you incur local tax liability, you provide the applicable marginal tax rate(s) on your "Statement of Income and Tax Filing Status". Your agency validates the applicable local marginal tax rate(s) and uses it (them) in the CMTR formula.

(b) If you incur local income tax liability in more than one locality, then your agency should follow the rules described for state income taxes in §302-17.42 to calculate the local marginal tax rate that will be used in the CMTR formula and to compute your RITA, and you should follow the rules in §302-17.42 to determine your actions.

(c) If a locality in which you incur income tax liability publishes its tax rates in terms of a percentage of your Federal or state taxes, then your agency must convert that tax rate to a percentage of your income to use it in computing your CMTR. This is accomplished by multiplying the applicable Federal or state tax rate by the applicable local tax rate. For example, if the state marginal tax rate is 6 percent and the local tax rate is 50 percent of state income tax liability, the local marginal tax rate stated as a percentage of taxable income would be 3 percent.

**§302-17.44 What if I incur income tax liability to the Commonwealth of Puerto Rico?**

A Federal employee who is relocated to or from a point, or between points, in the Commonwealth of Puerto Rico may be subject to income tax by both the Federal Government and the government of Puerto Rico. However, under current Puerto Rico law, an employee receives a credit on their Puerto Rico income tax for the amount of taxes paid to the Federal Government. Therefore:

(a) If the applicable Puerto Rico marginal tax rate, as shown in the tables provided by the Commonwealth of Puerto Rico, is *equal to or lower* than the applicable Federal marginal tax rate, then your agency uses the Federal marginal tax rates and the formula in §302-17.40(c) in calculating your CMTR.

(b) 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 if all of the states involved either have no income tax or *allow* an adjustment or credit for income taxes paid to the other state(s) and Puerto Rico, then your agency uses the rate for Puerto Rico in place of the Federal marginal tax rate in the formula in §302-17.40(c).

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(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

[FTR Amdt. 2014-01, 79 FR 49645, Aug. 21, 2014, as amended by FTR Case 2022-05, 89 FR 12256, Feb. 16, 2024]

### **§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 in-

clude those taxes in your RITA calculation, as applicable.

### **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

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.

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: