

## Relocation Allowances

(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: