

Relocation Allowances

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(j) Subsistence, transportation, or mileage expenses in excess of the amounts reimbursed as per diem or other allowances under this regulation;

(k) Medical expenses due to illness or injuries while en route to the new official station or while living in temporary quarters at Government expense under the provisions of this chapter; or

(l) Costs incurred in connections with structural alterations (remodeling or modernizing of living quarters, garages or other buildings to accommodate privately-owned automobiles, appliances or equipment; or the cost of replacing or repairing worn-out or defective appliances, or equipment shipped to the new location).

[FTR Amdt. 98, 66 FR 58196, Nov. 20, 2001, as amended by FTR Case 2022-05, 89 FR 12256, Feb. 16, 2024]

PART 302-17—TAXES ON RELOCATION EXPENSES

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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

lump sum method. (See part 302-6 of this chapter).

(e) Transportation and temporary storage of personal property—Transportation and temporary storage of household goods (HHG) and at Government expense for employees who transferred between official stations. (See part 302-7 of this chapter).

(f) Extended storage—Extended storage of household goods for a temporary change of station in CONUS or assignment to an isolated duty station in CONUS. (See part 302-8 of this chapter).

(g) Transportation of privately owned vehicle—Transportation of a privately owned vehicle at Government expense for employees who transferred between official stations in CONUS. (See part 302-9 of this chapter).

(h) Transportation of mobile homes and boats used as a primary residence—Expenses for transportation of a mobile home or boat in lieu of transportation of household goods to the new official station. (See part 302-10 of this chapter).

(i) Real estate—Expenses for the sale of the residence at your old official station and/or purchase of a home at your new official station, when reimbursement is made directly to you. This can also include expenses for settling an unexpired lease (“breaking” a lease) at your old official station. (See part 302-11 of this chapter. If you or a member of your immediate family do not hold full title to the home you are selling or buying, see § 302-11.103 of this chapter).

(j) Relocation services company—Expenses paid by a relocation services company to the extent such payments constitute taxable income to the employee. The extent to which such payments constitute taxable income varies according to the individual circumstances of your relocation, and by the state and locality in which you reside. (See appropriate state and local tax authorities for additional information). (See also part 302-12 of this chapter).

(k) Property Management Services—Payment for the services of a property manager for renting rather than selling a residence at your old official station. (See part 302-15 of this chapter).

(l) Miscellaneous expense allowance—Miscellaneous expenses for defraying certain relocation expenses not covered by other relocation benefits. (See part 302-16 of this chapter).

[FTR Amdt. 2020-02, 84 FR 64782, Nov. 25, 2019, as amended by FTR Case 2022-02; 89 FR 37984, May 7, 2024]

§ 302-17.22 What relocation expenses does the WTA not cover?

The WTA does not cover the following relocation expenses:

(a) Any reimbursement, allowance, or direct payment to a vendor that should not be reported as taxable income when you file your Federal tax return; this includes but is not limited to expenses for transportation of POVs for OCONUS assignments.

(b) Reimbursed expenses for extended storage of household goods during an OCONUS assignment, if reimbursement is permitted under your agency’s policy.

(c) State and local withholding tax obligations. To the extent that your state or local tax authority requires periodic (such as quarterly) tax payments, you are responsible to pay these from your own funds. Your agency reimburses you for substantially all of these payments through the RITA process, but your agency does not provide a WTA for them. If required to by state or local law, your agency may withhold these from your reimbursement.

(d) Additional taxes due under the Federal Insurance Contributions Act including Social Security tax, if applicable, and Medicare tax. Current law does not allow Federal agencies to reimburse transferees for these employment taxes on relocation benefits. However, your agency will deduct for these taxes from your reimbursements for taxable items.

(e) Home marketing incentive payment. In accordance with FTR part 302-14, your agency may not provide you either a WTA or RITA for this incentive.

(f) Any recruitment, relocation, or retention incentive payment that you receive. Any withholding of taxes for such payments is outside the scope of this regulation. Rather, it is covered by regulations issued by the Office of

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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

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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:

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.

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§ 302-17.54 How does my agency calculate my RITA under the one-year process?

(a) Your agency provides allowances to you, reimburses you for vouchers that you submit, and pays certain relocation vendors directly, all during the calendar year as described in subpart B of this part. Some of these reimbursements, allowances, and direct payments to vendors are taxable income to you, the employee, as described in subpart A of this part. Your agency computes a WTA and reports the WTA to the IRS as taxes withheld for you for each of these taxable reimbursements, allowances, and direct payments to vendors. The WTA may be optional to you. However, if your agency is using a one-year RITA process, there is no advantage to you in choosing not to receive the WTA, because your agency will adjust the WTA payment to the IRS. See § 302-17.55(a)(1).

(b) Your agency establishes a cutoff date (for example, December 1), after

which it will not issue reimbursements or allowances to you or make direct payments to relocation vendors for the rest of the calendar year.

(c) If the information on your “Statement of Income and Tax Filing Status” changes after you have submitted the initial version, you must submit an amended “Statement of Income and Tax Filing Status” no later than your agency’s cutoff date.

(d) During the period between the cutoff date and the end of the calendar year, your agency calculates your RITA.

(e) Your RITA is itself taxable income to you. To account for taxes on the RITA, your agency will gross-up your RITA by using a gross-up formula that multiplies the grossed-up CMTR by the total of all covered taxable relocation benefits, and then subtracts your grossed-up WTA from that total. That is:

$$RITA = \left(\left(\frac{C}{1-C} \right) \times R \right) - Y$$

Where

C = CMTR

R = Reimbursements, allowances, and direct payments to vendors covered by WTA

Y = Total grossed-up WTA paid during the current year.

§ 302-17.55 What does my agency do once it has calculated my RITA under the one-year process?

(a) Your RITA is likely to be different from the sum of the WTA computed and reported during the year, because the WTA is calculated using a flat rate, established by the IRC, while the RITA is calculated using the CMTR. Therefore:

(1) If the calculation above results in a negative value (that is, if your agency’s calculation shows that it withheld and reported too much money as WTA), then your agency will send an adjustment to the IRS using Form 941. In this case, your agency does not make a

RITA payment to you because you do not need additional funds to pay your taxes. That is, everything you need to pay substantially all of your taxes was included in the adjusted WTA, and that is the amount that will appear on your Form W-2.

(2) If the calculation above results in a positive value (that is if your agency’s calculation shows that it did not withhold enough money for your income taxes), then your agency will pay your RITA to you before the end of the calendar year and report it to the IRS as part of your income for that year.

(b) Shortly after the end of the calendar year, your agency will provide one or two W-2 Forms to you. At your agency’s discretion, you may receive one W-2 that includes all of your taxable relocation expenses, WTA, and RITA (if any), along with your payroll wages, or you may receive one W-2 for

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your payroll wages and a separate one for your taxable relocation expenses, WTA, and RITA.

§ 302-17.56 What do I do, under the one-year process, once my agency has provided my W-2(s)?

(a) You must use all W-2(s) that you have received to file your tax returns. On those returns, you must include all taxable relocation expenses shown on your W-2(s) as income, including your WTA and RITA (if any). Please note that you must also include all WTA as withholding, in addition to the standard withholding from your payroll wages.

(b) If you finished your relocation within one calendar year, and your agency paid all of your relocation reimbursements, allowances, and direct payments to vendors in the same calendar year, before the cutoff date, then your tax returns for that calendar year are the end of your relocation tax process. If, on the other hand, your agency reimburses you for relocation expenses, or pays allowances or relocation vendors on your behalf, during a second (and possibly a third) calendar year, then you and your agency repeat the process above for each of those years.

Subpart G—The Two-Year RITA Process

§ 302-17.60 How are the terms “Year 1” and “Year 2” used in the two-year RITA process?

(a) Year 1 is the calendar year in which the agency reimburses you for a specific expense, provides an allowance, or pays a vendor directly. If your reimbursements, allowances, and/or direct payments to vendors occur in more than one calendar year, you will have more than one Year 1.

(b) Year 2 is the calendar year in which you submit your RITA claim and your agency pays your RITA to you.

(c) In most cases:

(1) For every Year 1 you will have a corresponding Year 2;

(2) Every Year 2 immediately follows a Year 1; and

(3) Year 2 is the year in which you file a tax return reflecting your remaining tax liability for taxable reimbursement(s), allowance(s), and/or di-

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rect payments to vendors in each Year 1.

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

§ 302-17.61 Is the WTA optional under the two-year process?

(a) Yes. If your agency makes the WTA optional to you, you may choose to not receive the WTA.

(b) When deciding whether or not to receive the WTA, you should consider the following:

(1) If you expect that your marginal Federal tax rate will be equal to or higher than the supplemental wage rate for the calendar year in which you received the majority of your relocation reimbursements, you may want to elect to receive the WTA.

(2) If you expect that your marginal Federal tax rate will be less than the supplemental wage rate for the calendar year in which you received the majority of your relocation reimbursements, you may want to decline receiving the WTA to avoid or limit possible overpayment of the WTA, the so-called “negative RITA” situation. In a “negative RITA” situation, you must repay some of the WTA in Year 2. However, even if your marginal Federal tax rate will be less than the supplemental wage rate, you may want to accept the WTA so that your initial reimbursement is larger.

(3) Examples showing relocation allowances paid by accepting or declining the WTA are published in an FTR bulletin available at <https://gsa.gov/ftrbulletins>.

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

§ 302-17.62 What information do I put on my tax returns for Year 1 under the two-year process?

(a) Your agency provides allowances to you, reimburses you for vouchers that you submit, and pays certain relocation vendors directly, all during the same calendar year, as described in subpart B of this part. Some of these reimbursements, allowances, and direct payments to vendors are taxable income to you, the employee. Your agency computes a WTA and reports that

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withholding to the IRS for each of these that is taxable. This is Year 1 of the two-year process.

(b) If your agency makes the WTA optional to you and you have chosen not to receive the WTA, then your agency computes withholding tax for each taxable reimbursement, allowance, and direct payment, and reports that withholding to the IRS.

(c) Shortly after the end of the calendar year, your agency provides one or more W-2 forms to you. At its discretion, your agency may include all of your taxable relocation expenses and WTA (if any) in one W-2, along with your regular payroll wages, or it may provide you one W-2 for your regular payroll wages and a separate W-2 for your taxable relocation expenses and WTA (if any).

(d) At approximately the same time as your agency provides your W-2(s), it also may provide you an itemized list of all relocation benefits and the WTA (if any) for each benefit. You should use this statement to verify that your agency has included all covered taxable

items in its calculations and to check your agency's calculations.

(e) You must submit all W-2s that you have received with your Year 1 tax returns. On those returns, you must include all taxable relocation expenses during the previous year as income. Furthermore, you must include the WTA (if any) as tax payments that your agency made for you during the previous year, in addition to the regular withholding of payroll taxes from your salary.

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

§ 302-17.63 What information should I provide to my agency to make the RITA calculation possible under the two-year process?

You should provide the information required in the "Statement of Income and Tax Filing Status" shown below. This information should be taken from the income tax returns you filed for Year 1.

STATEMENT OF INCOME AND TAX FILING STATUS—TWO-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.

Federal Filing status:

- | | |
|---|---|
| <input type="checkbox"/> Single | <input type="checkbox"/> Head of Household |
| <input type="checkbox"/> Married Filing Jointly | <input type="checkbox"/> Qualifying Widow(er) |
| <input type="checkbox"/> Married Filing Separately. | |

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

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.

STATEMENT OF INCOME AND TAX FILING STATUS—TWO-YEAR PROCESS—Continued
 Employee's signature _____ Date _____

Spouse's signature (if filing jointly) _____

Date _____

§ 302-17.64 When should I file my “Statement of Income and Tax Filing Status” and RITA claim under the two-year process?

For the two-year process, you should file the “Statement of Income and Tax Filing Status” in Year 2, along with your RITA claim, after you file your income tax return. If your agency pays any taxable expenses covered by the WTA (if any) in more than one year, then you will have to file a new “Statement of Income and Tax Filing Status” each year. Your agency establishes the deadline each year for filing of your Statement.

§ 302-17.65 What happens if I do not file the “Statement of Income and Tax Filing Status” in a timely manner?

The WTA is an advance on your income tax expenses, thus if you don't file the “Statement of Income and Tax Filing Status” in a timely manner, your agency will require you to repay the entire amount of the withholding and WTA (if any) that the agency has paid on your behalf.

§ 302-17.66 How do I claim my RITA under the two-year process?

(a) To claim your RITA under the two-year process, you must submit a voucher and attach the “Statement of Income and Tax Filing Status,” as discussed in §§ 302-17.63-302-17.65.

(b) Your voucher must claim a specific amount. However, your agency will calculate your actual RITA after you submit your RITA voucher and your “Statement of Income and Tax Filing Status;” the amount you claim on your voucher does not enter into that calculation. You should perform the RITA calculation for yourself, as a check on your agency's calculation, but you are not required to put the “right answer” on the voucher you submit to claim your RITA.

§ 302-17.67 How does my agency calculate my RITA under the two-year process?

(a) Your agency calculates your RITA after receipt of your RITA voucher.

(b) Your RITA is itself taxable income to you. To account for taxes on the RITA, your agency will gross-up your RITA by applying the CMTR to the final amount rather than the reimbursed amount.

(c) Thus, your agency calculates your RITA by multiplying the Combined Marginal Tax Rate (CMTR) (using the state and local tax tables most current at the time of the RITA calculation) by the total of all covered taxable relocation benefits during the applicable Year 1, and then subtracting your WTA(s), if any, from the same Year 1 from that total. That is:

$$RITA = \left(\left(\frac{C}{1-C} \right) \times R \right) - Z$$

Where

C = CMTR

R = Reimbursements, allowances, and direct payments to vendors covered by WTA during Year 1

Z = Total grossed-up WTAs paid during Year 1.

NOTE TO § 302-17.67(c) – If your agency offers you the choice, the WTA is optional to you. If the employee has declined the WTA, enter zero for element Z in the above calculation.

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§ 302-17.68 What does my agency do once it has calculated my RITA under the two-year process?

(a) Your RITA is likely to be different from the sum of the WTA(s) paid during Year 1, if any, because the WTA is calculated using a flat rate, established by the IRC, while the RITA is calculated using the CMTR. Therefore:

(1) If the RITA calculation in § 302-17.67 results in a negative value (that is, if your agency's calculation shows that it withheld and reported too much money as income taxes), then your agency will report this result to you and will send you a bill for the difference, to repay the excess amount that it sent to the IRS on your behalf as withheld income taxes. The IRS will credit you for the full amount of withheld taxes, including the excess amount, when you file your income tax return for Year 1; therefore, you must repay the excess amount to your agency within 90 days, or within a time period set by your agency. If you are required to repay an amount in Year 2 that was included as wages on your W-2 in Year 1, you may be entitled to a miscellaneous itemized deduction on your Federal income tax return in Year 2. For more information, see IRS Publication 535, "Business Expenses." If your agency chooses to offer you the choice, then you may want to decline the WTA to avoid this so-called "negative RITA" situation.

(2) If the RITA calculation in § 302-17.67 results in a positive value (that is, if your agency's calculation shows that it did not withhold enough money as income taxes), then your agency will pay your RITA to you before the end of Year 2 and will report it to the IRS as part of your income for that year. Also, after your agency has paid your RITA to you, it will provide a W-2 that shows your RITA as taxable income to you.

(b) At your agency's discretion, you may receive one W-2 that includes all of your taxable relocation expenses, WTA (if any), and RITA (if any), along with your regular payroll wages, or you may receive one W-2 for your regular payroll wages and a separate one for your taxable relocation expenses, WTA, and RITA.

§ 302-17.69 How do I pay taxes on my RITA under the two-year process?

When income taxes are due for Year 2, you must report your RITA, if any, as taxable income on your Federal, state, and local tax returns.

(a) If your relocation process results in only one Year 2, or if the previous year was your last Year 1, your RITA is the only amount that you report as income resulting from your relocation for that Year 2.

(b) If, on the other hand, your relocation process results in more than one Year 2 (if, for example, you incurred relocation expenses during more than one calendar year), then, except for your last Year 2, you will need to report reimbursements, allowances, direct payments to vendors, and WTA(s), if any, for succeeding Year 1's at the same time that you report each Year 2's RITA.

(c) See the table in § 302-17.60 for a graphic explanation of Year 1 and Year 2.

Subpart H—Agency Responsibilities

§ 302-17.100 May we use a relocation services provider to comply with the requirements of this part?

Yes. You may use the services of relocation companies to manage all aspects of relocation, including the RITA computation. Agencies that relocate few employees or do not have the resources to manage the complexity of relocation may find that the use of relocation companies is a practical alternative. As another alternative, agencies with infrequent requirements for relocation or with inadequate internal resources may establish an interagency agreement with one or more other agencies to pool resources to provide this service.

§ 302-17.101 What are our responsibilities with regard to taxes on relocation expenses?

To ensure that all provisions of this Part are fulfilled, you must:

(a) Prepare a relocation travel authorization that includes an estimate of the WTA and RITA, to obligate the funds that will be needed.

(b) Determine, in light of the specific circumstances of each employee relocation, which reimbursements, allowances, and direct payments to vendors are taxable, and which are nontaxable.

(c) Decide whether or not you will allow individual employees and/or categories of employees to choose not to receive the WTA.

(d) Calculate the WTA, and credit the amount of the WTA to the employee at the time of reimbursement.

(e) Prepare the employee's W-2 Form(s) and ensure that it (they) reflect(s) the WTA.

(f) Provide each employee an itemized list of relocation expenses after the end of each calendar year in which you provided an allowance, reimbursement, or direct payment to a vendor.

(g) Establish processes for identifying the relevant Federal, state, and local marginal tax rates and for keeping that information current.

(h) Establish processes for identifying states that treat a reimbursement or direct payment to a vendor as taxable even though it is nontaxable under the Federal IRC, and for keeping that information current.

(i) Calculate the employee's CMTR(s).

(j) Decide whether you will use the one-year or two-year RITA process and whether you will use different processes (that is, one-year or two-year) for different groups of employees within your agency.

(k) Make sure the RITA calculation is done correctly and in a timely manner, whether your policies call for the calculation to be done by you or by a third party.

(l) Make sure that payment of the RITA occurs in a timely manner (this is especially critical for the one-year process).

(m) Develop criteria for accepting and rejecting requests for recalculation of RITA.

(n) Establish a process for recalculating the RITA when the employee's request for recalculation is accepted.

(o) Consult with IRS for clarification of any confusion stemming from taxes on relocation expenses.

§ 302-17.102 What happens if an employee fails to file and/or amend a "Statement of Income and Tax Filing Status" prior to the required date?

(a) If a relocating employee does not file and/or amend a "Statement of Income and Tax Filing Status" prior to the required date, and you are using a one-year RITA process, you are to switch to a two-year RITA process and send a written warning to the employee reminding them of the requirement and informing them that if they do not submit the "Statement of Income and Tax Filing Status," you may declare the entire amount of the WTA forfeited.

(b) If the relocating employee does not file and/or amend a Statement of Income and Tax Filing Status prior to the required date, and you are using a two-year RITA process, you are to send the employee a written warning informing them they have 60 days to file or amend their "Statement of Income and Tax Filing Status," or you will declare the WTA that you have already paid on the employee's behalf forfeited and due as a debt to the Government.

(c) If the relocating employee chose not to receive the WTA and fails to file a Statement of Income and Tax Filing Status prior to your required date, you are to send the employee a written warning that they have 60 days to file. If the employee still fails to file, you may close your case file and refuse any later claims for RITA related to this specific relocation.

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

§ 302-17.103 What are the advantages of choosing a 1-year or a 2-year RITA process?

(a) The one-year process is simpler. It reimburses the employee more quickly, and it eases the administrative burden required to calculate the RITA. Most importantly, the one-year process eliminates the possibility of charging employees for excess payments to the IRS, the so-called "negative RITA."

(b) The two-year process provides a somewhat more accurate calculation of

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the additional taxes the employee incurs because it is based on the employee's actual Year One taxable income and filing status rather than the tax-

able income and filing status from the year before.

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