

## Moving Reimbursements, Payments & Allocations - 2018

### Impact of the Tax Cuts and Jobs Act

- The exclusion for qualified moving expense reimbursements is suspended for tax years 2018 through 2025. Code Sec. 132(g) as amended by the Tax Cuts and Jobs Act (P.L. 155-97)

### What Does This Mean?

- Reimbursements for moving expenses made to employees or paid directly to third parties on and after January 1, 2018, and through December 31, 2025 will be included in wages and subject to withholding taxes. (Federal, State, Social Security and Medicare tax withholding)
- Reimbursements made directly to the employee are 100% taxable regardless of the expenses incurred and/or the documentation provided by the employee.
- Payments made directly to a third-party vendor such as a moving company are 100% taxable to the employee regardless of how the payment is made. (Example – via P-card, check to vendor, etc.)
- Relocations organized by Global Mobility Solutions (GMS) are 100% taxable regardless of tier selected.
- Actual Federal and State tax withheld will depend upon the employee, their W-4 withholding, and state of residence.
- Departments will be responsible for the Social Security & Medicare tax withholding match.

### Options & Suggestions

- ***BE PROACTIVE AND DISCUSS WITH THE NEWLY HIRED EMPLOYEE!***
- Advise newly hired employees who are being offered a relocation package of taxability.
- Advise newly hired employees that they will be notified by Tax Services when the amount will be included in their wages and the appropriate income taxes withheld.
- Advise newly hired employees that they will be given the option of spreading the taxation over multiple pay cycles to lessen the per pay tax impact until all taxes are collected.
- Advise the newly hired employee that they will receive a benefit of the full amount for their move and that the taxes will be withheld at a later point from their pay as an imputed earning.
- Consider “grossing up” the relocation allotment.
  - Pro - Although the newly hired employee will have additional taxable income included on their W-2; they will not *feel* the tax impact through a reduction in their net pay as the Dept. will pay the taxes.
  - Pro – Happier newly hired employee 😊
  - Con – The Department will incur increased cost in taxes paid on behalf of the newly hired employee.
  - Con – Different employees will receive different total benefit amounts due to different tax rates. See Gross Up tax examples.

### Typical Moving Reimbursements or Expenses

- Personal vehicle(s) mileage or Airfare
- Hotel (old location, in-transit, new location)
- Storage
- U-Haul or other self-moving van rentals
- Gas for rented moving vans
- Payments made to moving companies
- House hunting expenses
- Temporary housing
- Return trips to former residence
- Meals, tolls, supplies, boxes, etc.

## Tax Calculation Examples

<p><i>Single Claiming 0 Dependents Residing in WV</i></p> <p>Moving Allowance     \$2,000.00            Federal W/H            \$252.52            WV State W/H         \$88.00            SS W/H                    \$124.00            Med W/H                 <u>\$29.00</u>            Net                         \$1,506.48</p> <p>Dept. Tax Match        \$153.00</p>	<p><i>Married Claiming 2 Dependents Residing in WV</i></p> <p>Moving Allowance     \$2,000.00            Federal W/H            \$133.73            WV State W/H         \$79.00            SS W/H                    \$124.00            Med W/H                 <u>\$29.00</u>            Net                         \$1,634.72</p> <p>Dept. Tax Match        \$153.00</p>
<p><i>Single Claiming 0 Dependents Residing in WV</i></p> <p>Moving Allowance     \$5,000.00            Federal W/H            \$946.21            WV State W/H         \$282.00            SS W/H                    \$310.00            Med W/H                 <u>\$72.50</u>            Net                         \$3,389.29</p> <p>Dept. Tax Match        \$382.50</p>	<p><i>Married Claiming 2 Dependents Residing in WV</i></p> <p>Moving Allowance     \$5,000.00            Federal W/H            \$619.69            WV State W/H         \$272.00            SS W/H                    \$310.00            Med W/H                 <u>\$72.50</u>            Net                         \$3,725.81</p> <p>Dept. Tax Match        \$382.50</p>
<p><i>Single Claiming 0 Dependents Residing in WV</i></p> <p>Moving Allowance     \$20,000.00            Federal W/H            \$6,027.71            WV State W/H         \$1,257.00            SS W/H                    \$1,240.00            Med W/H                 <u>\$290.00</u>            Net                         \$11,185.29</p> <p>Dept. Tax Match        \$1,530.00</p>	<p><i>Married Claiming 2 Dependents Residing in WV</i></p> <p>Moving Allowance     \$20,000.00            Federal W/H            \$4,862.75            WV State W/H         \$1,247.00            SS W/H                    \$1,240.00            Med W/H                 <u>\$290.00</u>            Net                         \$12,360.25</p> <p>Dept. Tax Match        \$1,530.00</p>
<p><i>Single Claiming 0 Dependents Residing in WV – Gross Up</i></p> <p>Moving Allowance     \$7,811.46            Federal W/H            \$1,749.88            WV State W/H         \$464.00            SS W/H                    \$484.31            Med W/H                 <u>\$113.27</u>            Net                         \$5,000.00</p> <p>Dept. Tax Match        \$948.31            Dept. Cost of Gross Up <u>\$2,811.46</u>            Total Dept. Tax Cost   \$3,759.77</p>	<p><i>Married Claiming 2 Dep. Residing in WV – Gross Up</i></p> <p>Moving Allowance     \$6,994.58            Federal W/H            \$1,058.50            WV State W/H         \$401.00            SS W/H                    \$433.66            Med W/H                 <u>\$101.42</u>            Net                         \$5,000.00</p> <p>Dept. Tax Match        \$535.08            Dept. Cost of Gross Up <u>\$1,994.58</u>            Total Dept. Tax Cost   \$2,529.66</p>