SUMMARY – Transition and Future processing for moving allowances

Effective December 31, 2017 – December 31/2025 taxpayers are not able to deduct moving expenses starting in tax year 2018 (with certain exceptions for military on active duty). Since the university did not change its policy at the same time these IRS changes went into effect, we developed a transition plan to address payments that are taxable but were paid pursuant to offer letters that did not communicate the change and referenced policies that continued to identify allowable expenses.

A group representing Finance, Payroll and HR met to address how to handle the transition period (i.e., prior to March 2018) where offer letters did not notify new hires that moving expense reimbursements would be taxable and the 2nd transition period (i.e., from March 2018 – July 31, 2018), where individuals were notified that moving expenses would be taxable and referenced existing policies (HR and Business Policies) that identified allowable expenses and required receipts for reimbursement. The group was charged with proposing a process for handling payment and taxation of moving expenses during and after the transition periods.

Major changes incorporated into the new policy and effective for offer letters dated August 1, 2018 or later include:

- The moving allowance, if authorized by department, will be offered as a set amount (i.e., up to 5% of salary or $10,000, whichever is less.)
- Moving expenses will no longer be paid as a reimbursement through Finance. A moving allowance will be paid through Payroll.
- Moving allowance will not be tied to actual expenses; receipts will not be required.
- 3rd party payments (i.e., direct bill to moving companies) will not be allowed.
- A repayment agreement will be required on all moving allowances

Transition Period 1: (Offer Letters dated before March 2018)

This group includes employees who were not informed in the offer letter that moving expenses are taxable.

The following processes will be followed which are consistent with the policies in place at the time offer letters were written.

- Third party billing will continue to be allowed for this group.
- Employees will continue to provide receipts and will be reimbursed through T&E.
- Reimbursement will be limited to actual moving expenses.
- The moving reimbursement will be "grossed up" so that the amount is not reduced by the taxes. Departments will cover the cost of the gross up. Payroll will charge the cost to the Mocode used by Finance to reimburse employees for moving expenses and departments can transfer the expense. This will be applied consistently to all individuals similarly situated. Departments do not have discretion to authorize gross up for some but not all individuals. The logic to support gross-up is that those offers were negotiated under a different set of expectations that could have impacted the amount of moving allowance. The amount they are reimbursed is limited to actual moving expenses and they were not informed it was taxable.

  NOTE: Departments will be required to provide the offer letter to Finance to document date of offer and the language related to moving expenses.

Transition Period 2: (Offer Letters dated March 2018 – July 31, 2018)

This group includes employees who were informed that moving expenses are taxable and referenced policies that required receipts for allowable expenses.

- Third party billing will continue to be allowed for this group.
- Employees will continue to provide receipts and will be reimbursed through T&E.
- Reimbursement will be limited to actual moving expenses.
- The moving reimbursement will **NOT** be "grossed up." The option to gross up is not available to any employees notified that moving expenses would be taxable.

- For tax purposes, Payroll will spread the amount of the reimbursement over (up to) 3 pay periods for monthly employees and over (up to) 6 pay periods for biweekly employees contingent on processing early enough in tax year to accommodate the multiple periods. All amounts for moving reimbursements must be taxed in the same tax year.

  NOTE: Departments will be required to provide the offer letter to document date of offer and the language related to moving expenses.

Future state: (Offer Letters dated on or after August 1, 2018 (i.e., the effective date of new policy)

This group includes employees who will be informed in the offer letter of the new policy and that the allowance is taxable.

- 3rd Party payments – Option is eliminated
- Payment of moving allowance to employee will occur through Payroll (utilizing ePAF – Additional Pay)
  - Earn Code is MOV – one-time payment
  - Attach executed Repayment Agreement
- Payment in advance of start date is not allowed.
- Preference to include payment on first paycheck NOTE: *Campuses have option to allow department to pay allowance on an off cycle check. Each campus will decide whether to waive the fee for off cycle check processing. If paid off cycle, the payment will still be recorded in Additional pay.*