



United States Department of the Interior

OFFICE OF THE SECRETARY

Washington, D.C. 20240

DEC 28 1993

FINANCIAL ADMINISTRATION MEMORANDUM NO. 93 - 081 (II.G.6.)

To: Bureau Assistant Directors, Administration
Director, Office of Administrative Services
Bureau Finance Officers
Chief, Division of Fiscal Services

From: Chief, Division of Financial Administration
Office of Financial Management

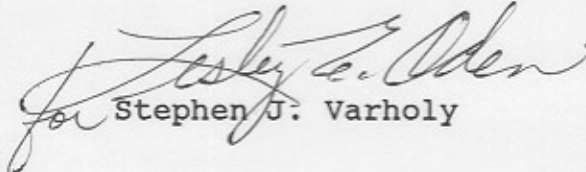
Subject: Change in Withholding Rate for Taxable Relocation
Allowance Payments - Withholding Tax Allowance Change

The Revenue Reconciliation Act of 1993, Public Law 103-66, enacted August 10, 1993, increased the Federal Income Tax (FIT) withholding rate for supplemental pay (bonuses, commissions, relocation allowances and other irregular payments) from 20 percent to 28 percent.

This change is mandatory even though the resulting increase in the withholding tax allowance (WTA) will probably result in an increased number of overpayments and bills of collection when the final relocation income tax allowance (RITA) payment is made. Thus, each employee should be advised that the WTA being paid may exceed the final RITA entitlement and that repayment will be necessary, if there is an overpayment. Since everyone is aware that the WTA may result in an overpayment, which will be credited to the employee's tax account, requests for waiver of these overpayments will not be favorably considered.

Attached is a new worksheet for calculating the WTA. This worksheet should be used in lieu of the worksheet (Exhibit 1) attached to Financial Administration Memorandum No. 88-49 (II.G.6.), dated June 8, 1988.

Please direct any questions you may have on this subject to Mr. Lesley Oden of this Division on (202) 208-5223.

for 
Stephen J. Varholy

Attachment

Prior Financial Administration
Memorandums on this Subject:
No. 88-0049 (II.G.6.), June 8, 1988 - Active

**WORKSHEET FOR
CALCULATION OF WITHHOLDING TAX ALLOWANCE (WTA)**

Name: _____

SSN: _____

Authorization No.: _____

Tax Year: _____

Reporting Date: _____

1. Total amount of relocation allowance claimed and proper for payment (from relocation voucher). \$ _____
2. Amount from item 1 subject to Federal income tax withholding. \$ _____
3. Multiply the amount in item 2 by .3888888 (38.88888%) to determine the WTA. \$ _____
4. Add the amounts in item 2 and item 3. This is the adjusted amount subject to Federal income tax withholding. \$ _____
5. Multiply the amount in item 4 by .28 (28%). This is the amount to be withheld for Federal income tax and should be equal to item 3. \$ _____
6. Multiply the amount item 4 by the State withholding rate. \$ _____ (_____) State
7. Multiply the amount in item 4 by the local tax withholding rate. \$ _____
8. Total amount subject to Social Security tax or Hospital Insurance deduction (usually the amount in item 4 not to exceed the maximum wage ceiling). \$ _____
9. Multiply the amount in item 8 by the applicable rate. \$ _____
10. Other Deductions (Travel Advances, Excess HHG costs, etc.) \$ _____
11. Compute adjusted amount payable item 1 plus item 3 minus items 5, 6, 7, 9, and 10. \$ _____