

General Services Administration
Washington, DC 20405

February 9, 2009

FEDERAL TRAVEL REGULATION
Amendment 2008-04

TO: Heads of Federal agencies

Subject: Amendment 2008-04, Federal Travel Regulation (FTR)
Case 2008-303, Relocation Allowances; Relocation Income Tax (RIT)
Allowance Tax Tables

1. Purpose. The General Services Administration (GSA) has determined that it will no longer publish the Federal, State, and Puerto Rico tax tables needed for calculating the relocation income tax (RIT) allowance in the *Federal Register*.

2. Effective date: June 25, 2008.

3. Background. In previous years, the General Services Administration, Office of Governmentwide Policy published the annual tax tables for Federal, State, and Puerto Rico used for calculating the RIT allowance to be paid to relocating Federal employees, in the *Federal Register*. These tax tables have been located in 41 CFR part 302-17 as Appendices A through D.

This final rule informed Government agencies that the Federal, State, and Puerto Rico tax tables (41 CFR part 302-17, Appendices A through D) would no longer appear in the *Federal Register* or in 41 CFR part 302-17. From now on, these tax tables will be published similar to other tables of rates that implement long-standing policies, such as the domestic per diems, relocation mileage, and travel mileage rates, and appear as Federal Travel Regulation (FTR) bulletins. You may find the FTR bulletins with the annual RIT allowances at www.gsa.gov/ftrbulletin. The tax table will also be published at www.gsa.gov/relo. This final rule removed Appendices A through D of 41 CFR part 302-17, added a new section to that part that provides a cross reference to the tax tables, and amended references to part 302-17 Appendices A through D in applicable sections of the FTR.

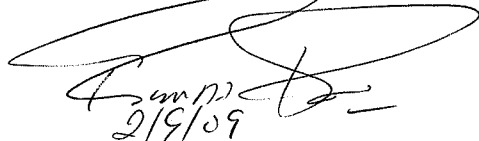
These tax tables are developed from several sources of information (e.g., the IRS, individual state taxing authorities, and the Commonwealth of Puerto Rico Department of the Treasury). GSA has determined that publishing these tax tables annually in the *Federal Register* is a time consuming and costly process that will no longer be needed when this same information is posted as

FTR bulletins. As a result of the newly implemented process, the information will be available to the agency and relocating employees in a more timely manner. As part of GSA mission to serve its Federal customers as quickly as permitted, this change in delivering the RIT Allowance Tables is now implemented by this final rule. This FTR rule was published in the *Federal Register* at 73 FR 35952, June 25, 2008.

4. Explanation of changes. These tax tables, for use in calculating the annual RIT allowance to be paid to relocating Federal employees, will be treated like changes to other tables of rates that implement long-standing policies, such as the domestic per diems, relocation mileage, and travel mileage rates, and be posted in a Federal Travel Regulation (FTR) bulletin. GSA will continue to publish policy changes in the *Federal Register* as amendments to the Federal Travel Regulation.

5. Filing instructions. Remove and insert the following pages to the FTR:

<u>Remove pages</u>	<u>Insert pages</u>
301-11-5 thru 301-11-10	301-11-5 thru 301-11-10
Chapter 302 TOC, 302-xvii and 302-xviii	Chapter 302 TOC, 302-xvii and 302-xviii
302-17-3 thru 302-17-14 302-17-15 thru 302-17-24	302-17-3 thru 302-17-14 None



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AMENDMENT 2007–05 OCTOBER 31, 2007

Chapter 301—Temporary Duty (TDY) Travel Allowances
Part 301-11—Per Diem Expenses

§301-11.306

§301-11.101 What allowance will I be paid for M&IE?

(a) Except as provided in [paragraph \(b\)](#) of this section, your allowance is as shown in the following table:

When travel is		Your allowance is
More than 12 but less than 24 hours		75 percent of the applicable M&IE rate.
24 hours or more, on	The day of departure	75 percent of the applicable M&IE rate.
	Full days of travel	100 percent of the applicable M&IE rate.
	The last day of travel	75 percent of the applicable M&IE rate.

(b) If you travel by ship, either commercial or Government, your agency will determine an appropriate M&IE rate within the applicable maximum rate allowable.

§301-11.102 What is the applicable M&IE rate?

For days of travel which		Your applicable M&IE rate is
Require lodging		The M&IE rate applicable for the TDY location or stopover point.
Do not require lodging, and	Travel is more than 12 hours but less than 24 hours.	The M&IE rate applicable to the TDY site or the highest M&IE rate applicable when multiple locations are involved).
	Travel is 24 hours or more, and you are traveling to a new TDY site or stopover point at midnight.	The M&IE rate applicable to the new TDY site or stopover point.
	Travel is 24 hours or more, and you are returning to your official station.	The M&IE rate applicable to the previous day of travel.

Subpart C—Reduced Per Diem

§301-11.200 Under what circumstances may my agency prescribe a reduced per diem rate lower than the prescribed maximum?

Under the following circumstances:

- (a) When your agency can determine in advance that lodging and/or meal costs will be lower than the per diem rate; and
- (b) The lowest authorized per diem rate must be stated in your travel authorization in advance of your travel.

Subpart D—Actual Expense

§301-11.300 When is actual expense reimbursement warranted?

When:

(a) Lodging and/or meals are procured at a prearranged place such as a hotel where a meeting, conference or training session is held;

(b) Costs have escalated because of special events (e.g., missile launching periods, sporting events, World's Fair, conventions, natural disasters); lodging and meal expenses within prescribed allowances cannot be obtained nearby; and costs to commute to/from the nearby location consume most or all of the savings achieved from occupying less expensive lodging;

(c) Because of mission requirements; or

(d) Any other reason approved within your agency.

§301-11.301 Who in my agency can authorize/approve my request for actual expense?

Any official designated by the head of your agency.

§301-11.302 When should I request authorization for reimbursement under actual expense?

Request for authorization for reimbursement under actual expense should be made in advance of travel. However, subject to your agency's policy, after the fact approvals may be granted when supported by an explanation acceptable to your agency.

§301-11.303 What is the maximum amount that I may be reimbursed under actual expense?

The maximum amount that you may be reimbursed under actual expense is limited to 300 percent (rounded to the next higher dollar) of the applicable maximum per diem rate. However, subject to your agency's policy, a lesser amount may be authorized.

§301-11.304 What if my expenses are less than the authorized amount?

When authorized actual expense and your expenses are less than the locality per diem rate or the authorized amount, reimbursement is limited to the expenses incurred.

§301-11.305 What if my actual expenses exceed the 300 percent ceiling?

Your reimbursement is limited to the 300 percent ceiling. There is no authority to exceed this ceiling.

§301-11.306 What expenses am I required to itemize under actual expense?

You must itemize all expenses, including meals, (each meal must be itemized separately) for which you will be reimbursed under actual expense. However, expenses that do not accrue daily (e.g., laundry, dry cleaning, etc.) may be averaged over the number of days your agency authorizes/approves actual expenses. Receipts are required for lodging, regardless of amount and any individual meal when the cost exceeds \$75. Your agency may require receipts for other

allowable per diem expenses, but it must inform you of this requirement in advance of travel. When your agency limits M&IE reimbursement to either the prescribed maximum M&IE rate for the locality concerned or a reduced M&IE rate, it may or may not require M&IE itemization at its discretion.

Subpart E—Income Tax Reimbursement Allowance (ITRA), Tax Years 1993 and 1994

General

§301-11.501 What is the Income Tax Reimbursement Allowance (ITRA)?

The ITRA is an allowance designed to reimburse Federal, State and local income taxes incurred incident to an extended TDY assignment at one location.

§301-11.502 Who is eligible to receive the ITRA?

An employee (and spouse, if filing jointly) who was in a TDY status for an extended period at one location, and who incurred Federal, State, or local income taxes on amounts received as reimbursement for official travel expenses.

§301-11.503 Are Federal Insurance Contribution Act (FICA) and Medicare deductions included in any reimbursement under this part?

No. Reimbursement is limited to income taxes.

Employee Responsibilities

§301-11.521 Must I file a claim to be reimbursed for the additional income taxes incurred?

Yes. A claim must be submitted in accordance with your agency's policy.

§301-11.522 If I was assessed an income tax penalty and/or interest payment due to incorrect income tax withholdings, are those payments reimbursable?

Yes, for the total amount of the income tax penalty and/or interest assessed by the IRS for tax years 1993 and 1994 only.

§301-11.523 What documentation must I submit to substantiate my claim?

Your agency will determine what documentation is sufficient. (See [§301-11.531](#).)

§301-11.524 What steps must my agency take to determine my ITRA?

Your agency should:

(a) Determine Federal, State and local marginal tax rates by using the procedures and the marginal tax tables established for the relocation income tax allowance in [§302-11.7](#), [§302-11.8](#), and the appropriate RIT tax table(s) located at www.gsa.gov/ftbulletin; or

(b) Determine reimbursement as calculated in the illustration shown in [§301-11.535](#).

§301-11.525 Is the ITRA I receive taxable income?

Yes. The amount received must be reported as taxable income in the year in which received, but you are eligible to receive an allowance to cover the taxes assessed on the ITRA under [§301-11.528](#).

§301-11.526 May I receive a lump sum payment of the additional tax liability on the covered ITRA in lieu of submitting another claim?

Yes, if agreed to in writing by your agency and with the understanding that you will be responsible for any income taxes due without further reimbursement.

§301-11.527 If I elect a lump sum payment, how is the ITRA paid?

(a) Reimbursement is as illustrated:

Lump Sum ITRA Tax Paid to Employee	
ITRA reimbursement for tax year 1993	\$14,435
Federal Tax liability on ITRA Reimbursement (@ 28%)	4,042
VA State tax liability (@ 5.75%)	830
Local tax liability	0
Total reimbursement	19,307

(b) Reimbursement of the ITRA and the tax on the ITRA is a final lump sum payment with no further reimbursement. You will be responsible for any income taxes due on \$19,307.

§301-11.528 If I do not elect lump sum payment is there any additional reimbursement?

Yes. You are reimbursed for the tax on the tax reimbursement received. Your agency will calculate the tax on the tax reimbursement using the formulas developed for the Year 2 reimbursements of the relocation income tax allowance (see [§302-11.8](#) of this title).

Agency Responsibilities

§301-11.531 What documentation must the employee submit to substantiate a claim?

You must determine what documentation you require to be submitted with the employee's claim. It can include:

(a) A certified statement as prescribed in [§302-17.10](#) of this title or copies of completed Federal, State and local tax return for the tax year in which the taxes were withheld and paid.

(b) Copies of W-2's and Form 1099's.

(c) Any documentation received from the IRS identifying any interest or penalty payment (tax years 1993 and 1994 only).

(d) Any other documentation necessary to substantiate the claim.

AMENDMENT 2008-04 JUNE 25, 2008

Chapter 301—Temporary Duty (TDY) Travel Allowances
Part 301-11—Per Diem Expenses

§301-11.539

§301-11.532 How should we compute the employee's ITRA?

You should follow the procedures prescribed for the relocation income tax allowance, see [§302-11.7](#), [§302-11.8](#) and the appropriate RIT tax table(s) located at www.gsa.gov/ftbulletin or as illustrated in [§301-11.535](#).

§301-11.533 Are tax penalty and interest payments reimbursable?

Yes, the total amount of any penalty and interest assessed by the IRS (for tax years 1993 and 1994 only) due to the failure of the Government to withhold the appropriate income taxes are reimbursable.

§301-11.534 What tax tables should we use to calculate the amount of allowable reimbursement?

The tax tables for the year the tax was incurred are to be used.

§301-11.535 How should we calculate the ITRA?

(a) Use the documents prescribed in [§301-11.531](#) to calculate the ITRA as follows:

(1) Determine Federal, State and local marginal tax rates by using the procedures and the marginal tax tables established for the relocation income tax allowance in [§302-11.7](#), [§302-11.8](#) and the appropriate RIT tax table(s) located at www.gsa.gov/ftbulletin; and

(2) Add any penalty or interest for tax years 1993 or 1994 only to determine the full ITRA payment; or

(b) As calculated in the following illustration.

Example of calculating an employee's tax return using the marginal tax rate schedules in the state RIT tax table(s) located at www.gsa.gov/ftbulletin:

For Tax Years 1993 or 1994 (Married Filing Joint Return)		
	Original	Recalculated
(1) Adjusted Gross Income (w/ travel reimbursement)	\$75,246	\$75,246
(2) Subtract travel reimbursement	—	(15,482)
(3) Subtract personal exemptions and itemized or standard deductions	(12,689)	(12,689)
(4) Adjusted taxable income	62,557	47,075
(5) Tax liability on adjusted taxable income:		
(a) Federal	17,516 (28%)	*7,061 (15%)
(b) State, VA (5.75% tax bracket)	3,597	2,707
(c) Local: Not applicable	0	0
(d) Total	21,113	9,768
(6) Difference of total of column 1 minus total of column 2: Additional Taxes Incurred due to travel Reimbursement—\$11,345		
(7) Add to the tax difference:		
(a) Penalty Payment imposed by IRS tax year 1993—1,500		
(b) Interest Payment imposed by IRS tax year 1993—1,500		
Total 6 and 7a and b = ITRA—\$14,345**		

* Adjusted taxable income places employee in lower tax bracket.

** The ITRA reimbursement is taxable income for the year in which paid at the appropriate Federal, State and local income tax rates.

§301-11.536 Is the ITRA reimbursement considered to be income to the employee?

Yes. The ITRA reimbursement is considered taxable income in the year paid and is subject to tax withholding as any other income.

§301-11.537 Are income taxes to be withheld from the ITRA?

Yes, as determined by your internal tax withholding procedures established for your agency pursuant to IRS procedures.

§301-11.538 May we offer a lump sum payment to cover the income tax liability on the covered ITRA?

Yes, if the employee mutually agrees in writing to the lump sum payment and understands that he/she is responsible for any income taxes without further reimbursement. (See the illustration in [§301-11.527](#).)

§301-11.539 If the employee does not elect a lump sum payment, how is the tax on the ITRA calculated?

The tax on the ITRA reimbursement should be calculated using the Year 2 formulas developed for the relocation income tax allowance. (See [§302-11.8](#).)

§301-11.540 How do we handle any excess payment?

You must collect any excess payments, which includes issuing corrected W-2's or 1099's.

Subpart F—Income Tax Reimbursement Allowance (ITRA), Tax Years 1995 and Thereafter

General

§301-11.601 What is the Income Tax Reimbursement Allowance (ITRA)?

The ITRA is an allowance designed to reimburse Federal, State and local income taxes incurred incident to an extended TDY assignment at one location.

§301-11.602 Who is eligible to receive the ITRA?

An employee (and spouse, if filing jointly) who was in a TDY status for an extended period at one location and who incurred Federal, State, or local income taxes on amounts received as reimbursement for official travel expenses.

§301-11.603 Are Federal Insurance Contribution Act (FICA) and Medicare deductions included in any reimbursement under this part?

No. Reimbursement is limited to income taxes.

Employee Responsibilities

§301-11.621 Must I file a claim to be reimbursed for the additional income taxes incurred?

Yes, a claim must be submitted in accordance with your agency's policy.

§301-11.622 If I was assessed an income tax penalty and/or interest payment due to incorrect income tax withholdings, are those payments reimbursable?

No. The reimbursement of tax penalty and/or interest payment assessed by the IRS is limited by law to tax years 1993 and 1994 only.

§301-11.623 What documentation must I submit to substantiate my claim?

Your agency will determine what documentation is sufficient. (See [§301-11.631](#).)

§301-11.624 What steps must my agency take to determine my ITRA?

Your agency should:

(a) Determine Federal, State and local marginal tax rates by using the procedures and the marginal tax tables established for the relocation income tax allowance in [§302-11.7](#),

[§302-11.8](#) and the appropriate RIT tax table(s) located at www.gsa.gov/ftbulletin; or

(b) Determine reimbursement as calculated in the illustration shown in [§301-11.535](#).

§301-11.625 Is the ITRA I receive taxable income?

Yes. The amount received must be reported as taxable income in the year in which received, but you are eligible to receive an allowance to cover the taxes assessed on the ITRA under [§301-11.628](#).

§301-11.626 May I receive a lump sum payment of the additional tax liability on the covered ITRA in lieu of submitting another claim?

Yes, if agreed to in writing by your agency and with the understanding that you will be responsible for any income taxes due without further reimbursement.

§301-11.627 If I elect a lump sum payment, how is the ITRA paid?

(a) Reimbursement is as illustrated:

Lump Sum ITRA Tax Paid to Employee	
ITRA reimbursement for tax year 1995	\$14,435
Federal Tax liability on ITRA Reimbursement (@ 28%)	4,042
VA State tax liability (@ 5.75%)	830
Local tax liability	0
Total reimbursement	19,307

(b) Reimbursement of the ITRA and tax on the ITRA is a final lump sum payment with no further reimbursement. You will be responsible for any income taxes due on \$19,307.

§301-11.628 If I do not elect lump sum payment is there any additional reimbursement?

Yes. You are reimbursed for the tax on the tax reimbursement received. Your agency will calculate the tax on the tax reimbursement using the formulas developed for the Year 2 reimbursements of the relocation income tax allowance (see [§302-11.8](#) of this title).

Agency Responsibilities

§301-11.631 What documentation must the employee submit to substantiate a claim?

You must determine what documentation you require to be submitted with the employee's claim. It may include:

(a) A certified statement as prescribed in [§302-17.10](#) of this title or a copy of the employee's completed Federal, State and local tax return for the tax year in which the taxes were withheld and paid.

(b) Copies of W-2's and Form 1099's; and

(c) Any other documentation necessary to substantiate your claim.

AMENDMENT 2008-04 JUNE 25, 2008

Chapter 301—Temporary Duty (TDY) Travel Allowances
Part 301-11—Per Diem Expenses

§301-11.640

§301-11.632 How should we compute the employee's ITRA?

You should follow the procedures prescribed for the relocation income tax allowance, see [§302-11.7](#), [§302-11.8](#) and the appropriate RIT tax table(s) located at www.gsa.gov/ftbulletin or as illustrated in [§301-11.535](#).

§301-11.633 Are tax penalty and interest payments reimbursable?

No. The reimbursement of penalty and/or interest payments assessed by the IRS is limited by law to tax years 1993 and 1994 only.

§301-11.634 What tax tables should we use to calculate the amount of allowable reimbursement?

The tax tables for the year the tax was incurred are to be used.

§301-11.635 How should we calculate the ITRA?

Use the documents prescribed in [§301-11.631](#) to calculate the ITRA as follows:

(a) Determine Federal, State and local marginal tax rates by using the procedures and the marginal tax tables established for the relocation income tax allowance in [§302-11.7](#), [§302-11.8](#) and the appropriate RIT tax table(s) located at www.gsa.gov/ftbulletin, or

(b) As calculated in the following illustration.

Example of calculating an employee's tax return using the marginal tax rate schedules in the state RIT tax table(s) located at www.gsa.gov/ftbulletin:

For Tax Year 1995 and Thereafter (Married Filing Joint Return)		
	Original	Recalculated
(1) Adjusted Gross Income (w/ travel reimbursement)	\$75,246	\$75,246
(2) Subtract travel reimbursement	—	(15,482)
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(4) Adjusted taxable income	62,557	47,075
(5) Tax liability on adjusted taxable income:		
(a) Federal (28%)	17,516	*7,061 (15%)
(b) State, VA (5.75% tax bracket)	3,597	2,707
(c) Local: Not applicable	0	0
(d) Total	21,113	9,768
(6) Difference of total of column 1 minus total of column 2: Additional Taxes Incurred due to travel Reimbursement—\$11,345		
Total = ITRA—\$11,345**		

* Adjusted taxable income places employee in lower tax bracket.

** The ITRA reimbursement is taxable income for the year in which paid at the appropriate Federal, State and local income tax rates.

§301-11.636 Is the ITRA reimbursement considered to be income to the employee?

Yes. The ITRA reimbursement is considered taxable income in the year paid and is subject to tax withholding as any other income.

§301-11.637 Are income taxes to be withheld from the ITRA?

Yes, as determined by your internal tax withholding procedures established for your agency pursuant to IRS procedures.

§301-11.638 May we offer a lump sum payment to cover the income tax liability on the covered ITRA?

Yes, if the employee mutually agrees in writing to the lump sum payment and understands that he/she is responsible for

any income taxes without further reimbursement. See the illustration in [§301-11.627](#).

§301-11.639 If the employee does not elect a lump sum payment, how is the tax on the ITRA reimbursement calculated?

The tax on the tax reimbursement should be calculated using the Year 2 formulas developed for the relocation income tax allowance. (See [§302-11.8](#).)

§301-11.640 How do we handle any excess payment?

You must collect any excess payments, which includes issuing corrected W-2's or 1099's.

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§302-15.13—What are the income tax consequences when my agency pays for my property management services?

Subpart B—Agency Responsibilities

§302-15.70—What governing policies must we establish for the allowance for property management services?

Subchapter F—Miscellaneous Allowances

Part 302-16—Allowance for Miscellaneous Expenses

Subpart A—General

§302-16.1—What are miscellaneous expenses?

§302-16.2—What is the purpose of the miscellaneous expenses allowance (MEA)?

§302-16.3—Who is and is not eligible for a MEA?

§302-16.4—Must my agency authorize payment of a MEA?

Subpart B—Employee’s Allowance for Miscellaneous Expenses

§302-16.100—How will I receive the MEA?

§302-16.101—May I receive an advance of funds for MEA?

§302-16.102—What amount may my agency reimburse me for miscellaneous expenses?

§302-16.103—May I claim an amount in excess of that prescribed §302-16.102?

§302-16.104—Must I document my miscellaneous expenses to receive reimbursement?

§302-16.105—What standard of care must I use in incurring miscellaneous expenses?

Subpart C—Agency Responsibilities

§302-16.200—What governing policies must we establish for MEA?

§302-16.201—How should we administer the authorization and payment of miscellaneous expenses?

§302-16.202—Are there any restrictions to the types of costs we may cover?

§302-16.203—What are examples of types of costs not covered by the MEA?

Part 302-17—Relocation Income Tax (RIT) Allowance

§302-17.1—Authority.

§302-17.2—Coverage.

§302-17.3—Types of moving expenses or allowances covered and general limitations.

§302-17.4—Exclusions from coverage.

§302-17.5—Definitions and discussion of terms.

§302-17.6—Procedures in general.

§302-17.7—Procedures for determining the WTA in Year 1.

§302-17.8—Rules and procedures for determining the RIT allowance in Year 2.

§302-17.9—Responsibilities.

§302-17.10—Claims for payment and supporting documentation and verification.

§302-17.11—Violation of service agreement.

§302-17.12—Advance of funds.

§302-17.13—Source of references.

§302-17.14—Where can I find the tax tables used for calculating the relocation income tax (RIT) allowances?

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pensation) to the employee for that tax year under the provisions of the IRC and IRS regulations, and are subject to Federal tax withholding. The withholding tax allowance (WTA) (see [paragraph \(f\)\(1\)](#) of this section) is calculated in Year 1, to cover the employee's Federal tax withholding obligations each time covered moving expense reimbursements are made that result in a Federal tax withholding obligation. For purposes of this part, an advance of funds for any of the covered moving expenses is not considered to be a reimbursement or a payment until the travel voucher settlement for such expenses takes place. If an employee's reimbursement for moving expenses is spread over more than one year, he/she will have more than one Year 1.

(f) *Year 2.* The calendar year in which a claim for the RIT allowance is paid.

(1) Generally, Year 2 will be the calendar year immediately following Year 1 and in which the employee files a tax return reflecting his/her tax liability for income received in Year 1. However, there may be instances where the employee's claims submission and/or payment of the RIT allowance is delayed beyond the calendar year immediately following Year 1. (Year 1 will always be the calendar year that reimbursements are received; see [paragraph \(e\)](#) of this section.) Year 2 will be the calendar year in which the RIT allowance is actually paid.

(2) The RIT allowance is calculated in Year 2 and paid to cover the additional tax liability (resulting from moving expense reimbursements received in Year 1) not covered by the WTA paid in Year 1. If an employee's covered taxable reimbursements are spread over more than one year, he/she will have more than one Year 2.

(g) *Federal withholding tax rate (FWTR).* The tax rate applied to incremental income to determine the amount to be withheld for Federal income tax from salary or other compensation such as moving expense reimbursements. Because moving expense reimbursements constitute supplemental wages for Federal income tax purposes, the 20 percent flat rate of withholding is generally applicable to such reimbursements. (See [§302-17.7\(c\)](#).) Agencies should refer to the Treasury Financial Manual, TFM 3-5000, and applicable IRS regulations for complete and up-to-date information on this subject.

(h) *Earned income.* For purposes of the RIT allowance, "earned income" shall include only the gross compensation (salary, wages, or other compensation such as reimbursement for moving expenses and the related WTA (see [paragraph \(n\)](#) of this section) and any RIT allowance (see [paragraph \(m\)](#) of this section) paid for moving expense reimbursement in a prior year) that is reported as income on IRS Form W-2 for the employee (employee and spouse, if filing jointly), and if applicable, the net earnings (or loss) for self-employment income shown on Schedule SE of the IRS Form 1040. Earned

income may be from more than one source. (See [§302-17.8\(d\)](#).)

(i) *Marginal tax rate (MTR).* The tax rate (for example, 33 percent) applicable to a specific increment of income. The Federal, Puerto Rico, and State marginal tax rates to be used in calculating the RIT allowance are located at www.gsa.gov/firbulletin (see [§302-17.14](#)). (See [§302-17.8\(e\)\(3\)](#) of this part for instructions on local marginal tax rate determinations.)

(j) *Combined marginal tax rate (CMTR).* A single rate determined by combining the applicable marginal tax rates for Federal (or Puerto Rico, when applicable), State, and local income taxes, using formulas provided in [§302-17.8\(e\)\(5\)](#).

(k) *Gross-up.* Payment for the estimated additional income tax liability incurred by an employee as a result of reimbursements or payments by the Government for the covered moving expenses listed in [§302-17.3](#).

(l) *Gross-up formulas.* The formulas used to determine the amount of the gross-up for the WTA and the RIT allowance. The gross-up formulas used herein compensate the employee for the initial tax, the tax on tax, etc. Note that the WTA gross-up formula in [§302-17.7\(d\)](#) is different than the RIT gross-up formula prescribed in [§302-17.8\(f\)](#).

(m) *RIT allowance.* The amount of payment computed and paid in Year 2 to cover substantially all of the estimated additional tax liability incurred as a result of the covered moving expense reimbursements received in Year 1.

(n) *Withholding tax allowance (WTA).* The withholding tax allowance (WTA), paid in Year 1, covers the employee's Federal income tax withholding liability on covered taxable reimbursements received in Year 1. The amount is computed by applying the withholding gross-up formula prescribed in [§302-17.7\(d\)](#) (using the Federal withholding tax rate) each time that a Federal withholding obligation is incurred on covered moving expense reimbursements received in Year 1. Grossing-up the Federal withholding amount protects the employee from using part of his/her moving expense reimbursement to pay Federal withholding taxes. (See [§302-17.7](#).)

(o) *State gross-up.* Payment for the estimated additional State income tax liability incurred by an employee as a result of reimbursements or payments by the Government for the covered moving expenses listed in [§302-17.3](#) that are deductible for Federal income tax but not for State income tax purposes.

(p) *State gross-up formula.* The formula prescribed in [§302-17.8\(f\)\(3\)](#) to be used in determining the amount to be included in the RIT allowance to compensate an employee for the additional State income tax incurred in States that do not allow the deduction of moving expenses.

§302-17.6 Procedures in general.

(a) This regulation sets forth procedures for the computation and payment of the RIT allowance and defines agency and employee responsibilities. This part does not require

changes to those internal fiscal procedures established by the individual agencies pursuant to IRS regulations, or the Treasury Financial Manual, provided that the intent of the statute authorizing the RIT allowance and this part are not disturbed.

(b) The total amount reimbursed or paid to the employee, or on his/her behalf, for travel, transportation, and other relocation expenses and allowances is includable in the employee's gross income pursuant to the IRC and certain State or local government tax codes. Some moving expenses for which reimbursements are received may be deducted from income by the employee as moving expense deductions, subject to certain limitations prescribed by the IRS or pertinent State or local tax authorities. Reimbursements for nondeductible moving expenses are subject to income tax. (See IRS Publication 521 entitled "Moving Expenses" and the appropriate State and local tax codes for detailed information.)

(c) Usually, if the employee is reimbursed for nondeductible moving expenses, the amount of these reimbursements is subject to withholding of Federal income tax in accordance with IRS regulations at the time of reimbursement. Under existing fiscal procedures, the amount of the employee's withholding obligation is usually deducted either from reimbursements for the moving expenses at the time of reimbursement or from the employee's salary. (See Treasury Financial Manual.)

(d) Payment of a WTA established herein will offset deductions for the Federal income tax withholding on moving expense reimbursements, and on the WTA itself, from the employee's moving expense reimbursements or from salary.

(e) The total amount of the RIT allowance can be computed after the end of Year 1 as soon as the earned income level, income tax filing status, total covered taxable reimbursements, and the applicable marginal tax rates can be determined. Employee claims for the RIT allowance should be submitted in accordance with this part and the employing agency's procedures.

(f) Procedures are prescribed in §§302-17.7 and 302-17.8 for computation and payment of the WTA and the RIT allowance. These procedures are built on existing fiscal procedures and IRS regulations regarding reporting of employee income from reimbursements and withholding of taxes on supplemental wages.

§302-17.7 Procedures for determining the WTA in Year 1.

(a) *General rules.* The WTA is designed to cover only the employee's withholding tax obligation for Federal income taxes on income resulting from covered moving expense reimbursements. (See definition in §302-17.5(c).) Other withholding tax obligations, if any, such as for social security taxes or for State and/or local income taxes on income result-

ing from moving expense reimbursements shall not be included in the calculation of the WTA payment. The amount of the WTA is equal to the Federal income tax withholding obligation incurred by the employee on covered moving expense reimbursements (which are not offset by deductible moving expenses) and on the WTA itself. Each time covered moving expense reimbursements are paid to or on behalf of the employee, the WTA shall be calculated, accounted for, and reported as provided in paragraphs (b) through (g) of this section.

(b) *Determination of amount of reimbursement subject to withholding.* Under IRS regulations, income resulting from reimbursements for nondeductible moving expenses is subject to withholding of Federal income taxes. (See IRS Publication 521, "Moving Expenses.") There are some moving expenses which may be reimbursed but are not covered taxable reimbursements (see definition in §302-17.5(d)) for purposes of the WTA and RIT allowance calculations, such as extended storage of household goods. (See exclusions in §302-17.4.) Therefore, the actual amount of the covered taxable reimbursements may be different than the amount of nondeductible moving expenses subject to Federal income tax withholding. The difference in these amounts should not be substantial; therefore, the amount of nondeductible moving expenses subject to Federal income tax withholding, as determined by the agency pursuant to IRS regulations, may be used in calculating the WTA. (Note that the RIT calculation procedure in §302-17.8 requires determination of covered taxable reimbursements.)

(c) *Determination of Federal withholding tax rate (FWTR).* Moving expense reimbursements constitute supplemental wages for Federal income tax purposes. Therefore, an agency must withhold at the withholding rate applicable to supplemental wages. Currently, the supplemental wages withholding rate is 28 percent. The supplemental wages withholding rate should be used in calculating the WTA unless under an agency's withholding procedures a different withholding rate is used pursuant to IRS tax regulations. In such cases, the applicable withholding rate shall be substituted for the supplemental wages withholding rate in the calculation shown in paragraph (d) of this section.

(d) *Calculation of the WTA.* The WTA is calculated by substituting the amounts determined in paragraphs (b) and (c) of this section into the following WTA gross-up formula:

Formula:

$$Y = \frac{X}{1 - X}(N)$$

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Where:

Y = WTA

X = FWTR (generally, 28 percent)

N = nondeductible moving expenses/covered taxable reimbursements

Example:

If:

X = 28 percent

N = \$20,000

Then:

$$Y = \frac{.28}{1.00 - .28}(\$20,000)$$

Y = .3889 (\$20,000)

Y = \$7778.00

(e) *WTA payment and employee agreement for repayment.* (1) The WTA may be calculated several times within Year 1 if reimbursements for moving expenses are made on more than one travel voucher. Each time an employee is reimbursed for moving expenses which are subject to Federal tax withholding in accordance with the IRS regulations, the WTA will be calculated and paid unless the employee fails to comply with the requirements in [paragraph \(e\)\(2\)](#) of this section.

(2) The employee shall be required to agree in writing to repay any excess amount paid to him/her in Year 1 (see [§302-17.8\(f\)\(5\)](#) and [§302-17.9\(b\)\(3\)](#)), and submit the required certified tax information and claim for his/her RIT allowance within a reasonable length of time (as determined by the agency) after the close of Year 1. Failure of the employee to comply with this requirement will preclude the agency's payment of the WTA. The entire WTA will be considered an excess payment if the RIT allowance claim is not submitted in a timely manner to settle the RIT allowance account.

(f) *Determination of employee's withholding tax on WTA.* Since the amount of the WTA is considered income to the employee, it is subject to the same tax withholding requirements as all other moving expense reimbursements. (See Treasury Financial Manual, Section 4080, Moving Expense Reimbursements, for withholding requirements.)

(g) *End of year reporting.* At the end of the year, agencies generally are required to issue IRS Form(s) W-2 for each employee showing total gross compensation (including moving expense reimbursements) and the applicable amount of Federal taxes withheld. For tax reporting purposes, the WTA is to be treated as a moving expense reimbursement. The total amount of the employee's WTA's paid during the year as well as the amount of moving expense reimbursements should be included as income on the employee's Form W-2. The Federal tax withholding amount applicable to the moving expense reimbursements and the WTA should also be included on the employee's Form W-2. The amount of the

WTA's also will be furnished to the employee along with the amount of moving expense reimbursements on IRS Form 4782 or another itemized listing provided for the employee's use in preparing his/her tax return (see IRS regulations for further guidance) and in claiming the RIT allowance as provided in [§302-17.8](#).

§302-17.8 Rules and procedures for determining the RIT allowance in Year 2.

(a) *Summary/overview of procedures.* The RIT allowance will be calculated and claimed in Year 2. This can be accomplished as soon as the employee can determine earned income (as defined herein), income tax filing status, covered taxable reimbursements for Year 1, and the applicable marginal tax rates. The RIT allowance is then calculated using the gross-up formula under procedures prescribed herein. Since the RIT allowance is considered income, appropriate withholding taxes on the RIT allowance are deducted and the balance constitutes the net payment to the employee. Rules, procedures, and the prescribed tax tables for these calculations are provided in [paragraphs \(b\)](#) through [\(g\)](#) of this section, and in an annual Federal Travel Regulation (FTR) Bulletin (located at www.gsa.gov/ftbulletin).

(b) *General rules and assumptions.* (1) The procedures prescribed herein for calculations and payment of the RIT allowance are based on certain assumptions jointly developed by GSA and IRS, and tax tables developed by IRS. This approach avoids a potentially controversial and administratively burdensome procedure requiring the employee to furnish extensive documentation, such as certified copies of actual tax returns and reconstructed returns, in support of a claim for a RIT allowance payment. Specifically, the following assumptions have been made:

(i) The employee will claim allowable moving expense deductions for the same tax year in which the corresponding moving expense reimbursements are included in income;

(ii) Changes to the IRC, applicable to the 1987 and subsequent tax years, require that allowable moving expense deductions must be taken as an itemized deduction from gross income rather than as an adjustment to gross income as in previous tax years. It is assumed that employees will receive the benefit of allowable moving expense deductions to offset income either by itemizing their moving expense deductions or through the increased standard deductions.

(iii) Prior to the Tax Reform Act of 1986, it was assumed that the employee's (and spouse's, if a joint return is filed) earned income, filing status, and CMTR determined for Year 1 (and used in determining the RIT allowance in Year 2) would remain the same or would not be substantially different in the second and subsequent tax years. However, the Tax Reform Act of 1986 substantially changed the Federal tax structure making it necessary to compute a separate CMTR

for Year 1 and for Year 2. (See [paragraph \(e\)](#) of this section.) The formula for calculating the RIT allowance to be paid in 1988 and subsequent years is shown in [paragraph \(f\)](#) of this section. It is assumed that within the accuracy of the calculation, the State and local tax rates for Year 1 and Year 2 will remain the same or will not be substantially different. Therefore, the State and local tax rates for Year 1 shall be used in calculating the CMTR for Year 2.

(2) The prescribed procedures, which yield an estimate of an employee's additional tax liability due to moving expense reimbursements, are to be used uniformly. They are not to be adjusted to accommodate an employee's unique circumstance which may differ from the assumed circumstances stated in [paragraph \(b\)\(1\)](#) of this section.

(3) An adjustment of the RIT allowance paid in Year 2 for the covered taxable reimbursements received in Year 1 is required if the tax information certified to on the RIT allowance claim is different than that shown on the actual Federal tax return filed with IRS for Year 1 or changed for any reason after filing of the tax return, so as to affect the CMTR's used in the RIT allowance calculation. (See [§302-17.10](#) for claims procedures.)

(c) *Determination of covered taxable reimbursements.*

(1) Generally, the amount of the covered taxable reimbursements is the difference between (i) the amount of covered moving expense reimbursements for the allowances listed in [§302-17.3](#) that was included in the employee's income in Year 1, and (ii) the maximum amount of allowable moving expenses that may be claimed as a moving expense deduction by the employee on his/her Federal tax return under IRS tax regulations to offset the income resulting from moving expense reimbursements for Year 1. The covered taxable reimbursements will be determined as if the employee had itemized and deducted all allowable moving expense deductions. (See assumption made in [paragraph \(b\)\(1\)\(ii\)](#) of this section.) If the employee is precluded from claiming moving expense deductions because he/she does not meet IRS requirements for the distance test, then the amount of covered taxable reimbursements is the same as the amount of covered moving expense reimbursements. (See [§302-17.5\(d\)](#).)

(2) For purposes of calculating the RIT allowance, the following special rules apply to the determination of moving expense deductions to offset moving expense reimbursements reported as income:

(i) The total amount of reimbursement (which was reported as income) for the expenses of en route travel for the employee and family (see [§302-17.3\(a\)](#)) and transportation (including up to 30 days temporary storage) of household goods (see [§302-17.3\(b\)](#)) to the new official station shall be used as a moving expense deduction. (See also [§302-17.4\(e\)](#) and [§302-17.4\(f\)](#).)

(ii) The total amount of reimbursement for a househunting trip, temporary quarters (up to 30 days at new station)

and real estate transaction expenses (see [§§302-17.3\(e\)](#), [\(f\)](#), [\(g\)](#), and [\(i\)](#)), up to the maximum allowable deduction under IRS tax regulations, shall be used as a moving expense deduction. For example, an employee and spouse filing a joint return and residing in the same household at the end of the tax year may deduct up to \$3,000 for these expenses. (No more than \$1,500 of the \$3,000 may be claimed for a househunting trip and temporary quarters expenses combined.) If the employee was reimbursed \$1,350 for a househunting trip and temporary quarters expenses and \$9,000 for real estate expenses, the moving expense deductions would be \$1,350 for the househunting trip and temporary quarters expenses and \$1,650 for real estate expenses. If the employee's reimbursement was \$1,850 for the househunting trip and temporary quarters expenses and \$9,000 for real estate expenses, the moving expense deductions would be \$1,500 for the househunting trip and temporary quarters expenses and \$1,500 for real estate expenses. If the employee had no reimbursement for a househunting trip and temporary quarters, the full \$3,000 would be applied to the \$9,000 reimbursement for real estate expenses. (See IRS Publication 521, "Moving Expenses," for these and other maximums which vary by situation and filing status.)

(3) Procedures and examples are provided herein as if all moving expense reimbursements are received in one year with all moving expense deductions applied in that same year to arrive at the covered taxable reimbursements. However, when reimbursements span more than one year, the amount of covered taxable reimbursements must be determined separately for each reimbursement year (Year 1). The maximum moving expense deductions apply to the entire move. Under IRS tax regulations, the employee has some discretion as to when he/she claims these deductions (e.g., in the year of the move when the expense was paid or in the year of reimbursement, if these actions do not occur in the same year). However, for purposes of the RIT allowance procedures, the moving expense deductions will be applied in the year that the corresponding reimbursement is made. For example, if an employee incurred and was reimbursed \$1,000 for a househunting trip and temporary quarters in 1989 and an additional \$1,000 for temporary quarters in 1990, this employee, according to his/her particular situation and tax filing status, may deduct \$1,500 of these expenses in moving expense deductions. In calculating the RIT allowance for 1989, \$1,000 of the \$1,500 deduction is used to offset the \$1,000 reimbursement in 1989 resulting in zero covered taxable reimbursements for the househunting trip and temporary quarters for 1989. The remaining \$500 (balance of the \$1,500 not used in determining covered taxable reimbursements for 1989) will be used to offset the \$1,000 temporary quarters reimbursement in 1990 (second Year 1), leaving \$500 of the temporary quarters reimbursement as a covered taxable reimbursement for 1990.

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(4) Although the WTA amount is included in income (see [§302-17.7](#)), it shall not be included in the amount of covered taxable reimbursements. Under the procedures and formulas established herein, the proper amount of the RIT allowance is calculated using the RIT gross-up formula with the WTA and any prior RIT allowance payments excluded from covered taxable reimbursements.

(5) Agencies are cautioned that there may be moving expenses reimbursed to the employee that are not covered by the RIT allowance. (See exclusions in [§302-17.4](#); also see discussion in [§302-17.7](#) regarding covered taxable reimbursements versus nondeductible expenses.)

(d) *Determination of income level and filing status.* In order to determine the CMTR's needed to calculate the RIT allowance, the employee must determine the appropriate amount of earned income (as prescribed herein) that was or will be reported on his/her Federal tax return for the tax year in which the covered taxable reimbursements were received (Year 1). Such amount will also include the spouse's earned income if a joint filing status is claimed. For purposes of this regulation, appropriate earned income shall include only the amount of gross compensation reported on IRS Form(s) W-2, and, if applicable, the net earnings (or loss) from self-employment income as shown on Schedule SE of IRS Form 1040. (See [§302-17.5\(h\)](#).) (Note that moving expense reimbursements including the WTA amounts and any RIT allowance paid for a prior Year 1 are to be included in earned income and should be shown as income on the Form W-2; if they are not, other appropriate documentation shall be furnished by the agency.) (See [§302-17.7\(g\)](#).) The amount of earned income as determined under this paragraph and the tax filing status (for example, from lines 1 through 5 on the 1987 IRS Form 1040) shall be contained in a certified statement on, or attached to, the voucher claiming the RIT allowance. (See [§302-17.10](#).) If a joint filing status is claimed and the spouse's earned income is included, the spouse must sign the certified statement. If the spouse does not sign the statement, earned income will include only the employee's earned income and the RIT allowance will be calculated on that basis. This condition will not apply if an employee is allowed, under IRS rules, to file a joint return as a surviving spouse.

(e) *Determination of the CMTR's.* The gross-up formula used to calculate the RIT allowance in [paragraph \(f\)](#) of this section, requires the use of two CMTR's—one for Year 1 in which reimbursements were received and the other for Year 2 in which the RIT allowance is paid. CMTR's are single tax rates calculated to represent the Federal, State, and/or local income tax rates applicable to the earned income determined for Year 1. (See [paragraph \(d\)](#) of this section.) The CMTR's will be determined as follows:

(1) *Federal marginal tax rates.* The Federal marginal tax rates for Year 1 and Year 2 are determined by using the income level and filing status determined under [paragraph \(d\)](#)

of this section and contained in the certified statement by the employee (or employee and spouse) on the RIT allowance claim, and applying the prescribed Federal tax tables located at [www.gsa.gov/firbulletin](#). For example, if the income level for the 1989 tax year (Year 1) was \$84,100 for a married employee filing a Federal joint return, the Federal marginal tax rate would be 33 percent for Year 1 (1989) (see the appropriate RIT tax table(s) located at [www.gsa.gov/firbulletin](#)) and 28 percent for Year 2 (1990) (see the appropriate RIT tax table(s) located at [www.gsa.gov/firbulletin](#)). These rates would be used regardless of how much of the \$84,100 was attributable to reimbursement for the employee's relocation expenses. (Note that these marginal rates are different from the withholding tax rate used for the WTA.) If the employee incurs only Federal income tax (i.e., there are no State or local taxes), the Federal marginal tax rates determined from the appropriate RIT tax table(s) located at [www.gsa.gov/firbulletin](#) are the CMTR's to be used in the RIT gross-up formula provided in [paragraph \(f\)](#) of this section. In such cases, the provisions of [paragraphs \(e\)\(2\)](#) and [\(e\)\(3\)](#) of this section, do not apply.

(2) *State marginal tax rate.* (i) If the employee incurs an additional State income tax (see definition in [§302-17.5\(a\)](#)) liability as a result of moving expense reimbursements, the appropriate State tax table located at [www.gsa.gov/firbulletin](#) is to be used to determine the applicable State marginal tax rate that will be substituted into the formula for determining the CMTR for both Year 1 and Year 2. The appropriate State tax table will be the one that corresponds to the tax year in which the reimbursements are paid to the employee (Year 1). The income level determined in [paragraph \(d\)](#) of this section for Federal taxes shall be used to identify the appropriate income bracket in the State tax table. The applicable State marginal tax rate is obtained from the selected income bracket column for the State where the employee is required to pay State income tax on moving expense reimbursements. The tax rates shown in the table apply to all employees regardless of their filing status, except where a separate rate is shown for a single filing status.

(ii) The lowest income bracket shown in the State tax tables located at [www.gsa.gov/firbulletin](#) is \$20,000-\$24,999. In cases where the employee's (employee's and spouse's, if filing jointly) earned income as determined under [paragraph \(d\)](#) of this section is less than this income bracket, an appropriate State marginal tax rate shall be established by the employing agency from the applicable State tax code or regulations issued pursuant thereto. Such State marginal tax rate shall be representative of the earned income level in question but in no case more than the marginal tax rate established in located at [www.gsa.gov/firbulletin](#) for the \$20,000-\$24,999 income bracket for the particular State in which an additional tax obligation has been incurred.

(iii) The prescribed State marginal tax rates generally are expressed as a percent of taxable income. However, if the applicable State marginal tax rate is stated as a percentage of the Federal income tax liability, the State tax rate must be converted to a percent of taxable income to be used in the CMTR formulas in [paragraph \(e\)\(5\)](#) of this section. This is accomplished by multiplying the applicable Federal tax rate for Year 1 by the applicable State tax rate. For example, if the Federal tax rate is 33 percent for Year 1 and the State tax rate is 25 percent of the Federal income tax liability, the State tax rate stated as a percent of taxable income would be 8.25 percent. The State tax rate thus determined for Year 1 will be used in determining the CMTR for both Year 1 and Year 2.

(iv) An employee may incur a State income tax liability on moving expense reimbursements in more than one State at the same or different marginal tax rates (i.e., double taxation). For example, an employee may incur taxes on moving expense reimbursements in one State because of residency in that State, and in another State because that particular State taxes income earned within its jurisdiction irrespective of whether the employee is a resident. In such cases, a single State marginal tax rate must be determined for use in the CMTR formulas in [paragraph \(e\)\(5\)](#) of this section. The general rules in [paragraphs \(e\)\(2\)\(iv\)\(A\)](#) through [\(C\)](#) of this section apply in determining the applicable single State marginal tax rate in such cases.

(A) If two or more States impose an income tax on an employee's moving expense reimbursement, but no two States tax the same portion of the reimbursement, then the reimbursement is not subject to double taxation. In this situation, the average of the applicable State marginal tax rates, as determined under [paragraphs \(e\)\(2\)\(i\)](#) through [\(iii\)](#) of this section, shall be treated as being imposed on the entire reimbursement, and shall be used in the CMTR formula.

(B) If two or more States impose an income tax on the moving expense reimbursement, and more than one State taxes the same portion of the reimbursement, but those States allow an adjustment or credit for income taxes paid to the other State(s), then the reimbursement is not subject to double taxation. In this situation, the highest of the applicable State marginal tax rates, as determined under [paragraphs \(e\)\(2\)\(i\)](#) through [\(iii\)](#) of this section, shall be used in the CMTR formula.

(C) If two or more States impose an income tax on the moving expense reimbursement, and more than one State taxes the same portion of the reimbursement without allowing an adjustment or credit for income taxes paid to the other, then the reimbursement is subject to double taxation. In this situation, the sum of the applicable State marginal tax rates, as determined under [paragraphs \(e\)\(2\)\(i\)](#) through [\(iii\)](#) of this section, shall be used in the CMTR formula.

(3) *Local marginal tax rate.* Because of the impracticality of establishing a single marginal tax rate table for local

income taxes that could be applied uniformly on a nationwide basis, appropriate local marginal tax rates shall be determined as provided in [paragraphs \(e\)\(3\)\(i\)](#) through [\(iii\)](#) of this section.

(i) If the employee incurs an additional local income tax (see definition [§302-17.5\(b\)](#)) liability as a result of moving expense reimbursements, he/she shall certify to such fact when claiming the RIT allowance (see certification statement in [§302-17.10](#)) by specifying the name of the locality imposing the income tax and the applicable marginal tax rate determined from the actual marginal tax rate table or schedule prescribed by the taxing locality. The marginal tax rate shall be the one applicable to the taxable income portion of the amount of earned income determined under [paragraph \(d\)](#) of this section for the employee (and spouse, if filing jointly). The same tax rate shall be used in calculating the CMTR for both Year 1 and Year 2. The employing agency shall establish procedures to determine whether the employee-certified local marginal tax rate is appropriate for the employee's income level and filing status and approve its use in the CMTR formulas. (See also [§302-17.10\(b\)\(2\)](#).)

(ii) If the local marginal tax rate is stated as a percentage of Federal or State income tax liability, such rate must be converted to a percent of taxable income for use in the CMTR formulas. This is accomplished by multiplying the applicable Federal or State tax rate for Year 1 as determined in [paragraph \(e\)\(1\)](#) or [\(e\)\(2\)](#) of this section by the applicable local tax rate. For example, if the State tax rate for Year 1 is 6 percent and the local tax rate is 50 percent of State income tax liability, the local tax rate stated as a percentage of taxable income would be 3 percent. The local tax rate thus determined for Year 1 will be used in determining the CMTR for both Year 1 and Year 2.

(iii) The situations described in [paragraph \(e\)\(2\)\(iv\)](#) of this section with respect to State income taxes may also be encountered with local income taxes. If such situations do occur, the rules prescribed for determining the single State marginal tax rate shall also be applied to determine the single local marginal tax rate for use in the CMTR formulas.

(4) *Marginal tax rates for the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, and the U.S. possessions.* (i) *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 on the employee's salary (including moving expense reimbursements) by both the U.S. Government and the government of Puerto Rico. However, under the current law of Puerto Rico, such employee receives a credit on his/her Puerto Rico income tax for the amount of taxes paid to the United States. The rules in [paragraphs \(e\)\(4\)\(i\)\(A\)](#) through [\(C\)](#) apply in determining the marginal tax rate applicable for transfers to, from, or between points in Puerto Rico.

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(A) The applicable Puerto Rico marginal tax rate shall be determined by using the income level determined in [paragraph \(d\)](#) of this section for Federal taxes and the employee's filing status. The Puerto Rico marginal tax rate for Year 1 will be used in computing the CMTR for both Year 1 and Year 2. The Puerto Rico tax tables are located at www.gsa.gov/ftbulletin.

(B) If the applicable Puerto Rico marginal tax rate is higher than the applicable Federal marginal tax rate, then the total amount of taxes paid by the employee to both jurisdictions is equal to the employee's total income tax liability to the Commonwealth of Puerto Rico before any credit is given for taxes paid to the United States. The Federal marginal tax rate, therefore, is of no consequence and will be disregarded. In such cases, the formula in [paragraph \(e\)\(5\)\(iii\)](#) of this section will be used to compute the CMTR. The CMTR formula shall include only the Puerto Rico marginal tax rate, the State marginal tax rate as determined under [paragraph \(e\)\(2\)](#) of this section (when applicable), and the local marginal tax rate as determined under [paragraph \(e\)\(3\)](#) of this section. For purposes of applying the Puerto Rico CMTR formula in [paragraph \(e\)\(5\)\(iii\)](#) of this section, the State marginal tax rate will be applicable if both Puerto Rico and one or more of the States impose an income tax on the moving expense reimbursement, and more than one of these entities taxes the same portion of the reimbursement without allowing an adjustment or credit for income taxes paid to the other. In this situation, the S component of the CMTR formula will be the applicable State marginal tax rate as determined under [paragraph \(e\)\(2\)](#) of this section.

(C) If the applicable Puerto Rico marginal tax rate is equal to or lower than the applicable Federal marginal tax rate, then the total amount of taxes paid by the employee to both jurisdictions is equal to the employee's total Federal income tax liability. The Puerto Rico marginal tax rate, therefore, is of no consequence in such cases and will be disregarded. The CMTR will be computed using the formula in [paragraphs \(e\)\(5\)\(i\)](#) and [\(ii\)](#) of this section. This formula will include the Federal marginal tax rate as determined under [paragraph \(e\)\(1\)](#) of this section, the State marginal tax rate as determined under [paragraph \(e\)\(2\)](#) of this section (when applicable), and the local marginal tax rate as determined under [paragraph \(e\)\(3\)](#) of this section. The State marginal tax rate will be applicable if one or more States impose tax on the moving expense reimbursement.

(ii) *The Commonwealth of the Northern Mariana Islands and the U.S. possessions.* A Federal employee who is relocated to or from a point, or between points, in the Commonwealth of the Northern Mariana Islands or the U.S. pos-

sessions (Guam, American Samoa, and the U.S. Virgin Islands) is subject to both Federal income tax and income tax assessed by the Commonwealth of the Northern Mariana Islands or the U.S. possession, as applicable. However, the income tax system and rates for the Commonwealth of the Northern Mariana Islands and for the U.S. possessions are identical to the U.S. Federal income tax system and rates. This constitutes a "mirror tax" system. A tax credit or exclusion is provided by one of the taxing jurisdictions (either the U.S., the Commonwealth of the Northern Mariana Islands, or the U.S. possession, as appropriate) to prevent double taxation. The marginal tax rate for the Commonwealth of the Northern Mariana Islands or the U.S. possession, therefore, is of no consequence since it is identical to the Federal marginal income tax rate and is completely offset by a corresponding credit or exclusion. Thus, the Commonwealth's or the possession's tax rate will not be factored into the CMTR formula. The CMTR will be computed as provided in [paragraphs \(e\)\(5\)\(i\)](#) and [\(ii\)](#) based solely on the Federal marginal tax rate; when applicable, the State(s) marginal tax rate; and the local marginal tax rate.

(5) *Calculation of the CMTR's.* As stated above, the gross-up formula for calculating the RIT allowance requires the use of two CMTR's. However, the required CMTR's 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 for Federal income tax purposes. The State tax tables located at www.gsa.gov/ftbulletin are designed to use the same income amount as that determined for the Federal taxes, which reflects, among other things, State and local tax deductions. The formulas prescribed below for calculating the CMTR's are designed to adjust the State and local tax rates to compensate for their deductibility from income for Federal tax purposes.

(i) *Calculation of the CMTR for Year 1.* The following formula shall be used to calculate the CMTR for Year 1.

$$\text{CMTR Formula: } X = F + (1-F)S + (1-F)L$$

Where:

X = CMTR for Year 1

F = Federal tax rate for Year 1

S = State tax rate for Year 1

L = local tax rate for Year 1

(A) *Federal, State, and local taxes incurred.* If the employee incurs Federal, State, and local income taxes on moving expense reimbursements, the CMTR formula may be solved as follows:

Example:

If:

F = 33 percent of income

S = 6 percent of income

L = 3 percent of income

Then:

$X = .33 + (1.00-.33).06 + (1.00-.33).03$

X = .3903

(B) *Federal and State income taxes only.* If the employee incurs tax liability on moving expense reimbursements for Federal and State income taxes but none for local income tax, the value of “L” is zero and the CMTR formula may be solved as follows:

Example:

If:

F = 33 percent of income

S = 6 percent of income

L = Zero

Then:

$X = .33 + (1.00-.33).06$

X = .3702

(C) *Federal and local income taxes only.* If the employee incurs a tax liability on moving expense reimbursements for Federal and local income taxes but none for State income tax, the value of “S” is zero and the CMTR formula may be solved as follows:

Example:

If:

F = 33 percent of income

S = Zero

L = 3 percent of income

Then:

$X = .33 + (1.00-.33).03$

X = .3501

(ii) *Calculation of the CMTR for Year 2.* The calculation of the CMTR for Year 2 is the same as described for Year 1, except that the Federal tax rate for Year 2 is used in place of the Federal tax rate for Year 1. State and local tax rates remain the same as for Year 1. The following formula shall be used to determine the CMTR for Year 2:

CMTR Formula: $W = F + (1-F)S + (1-F)L$

Where:

W = CMTR for Year 2

F = Federal tax rate for Year 2

S = State tax rate for Year 1

L = local tax rate for Year 1

(iii) *Calculation of CMTR’s for Puerto Rico.* The following formula shall be used to calculate the CMTR for trans-

fers to, from, or between points in Puerto Rico. (This formula is different from the formulas provided in [paragraphs \(e\)\(5\)\(i\)](#) and [\(ii\)](#) of this section since the Federal marginal tax rate is disregarded.)

CMTR Formula: $X = P + S + L$

Where:

X = CMTR for Year 1 and Year 2

P = Puerto Rico tax rate for Year 1

S = State tax rate for Year 1, when applicable (See [paragraph \(e\)\(4\)\(i\)\(B\)](#) of this section.)

L = Local tax rate for Year 1

(f) *Determination of the RIT allowance.* The RIT allowance to cover the tax liability on additional income resulting from the covered taxable reimbursements received in Year 1 is calculated in Year 2 as provided below:

(1) The RIT allowance is calculated by substituting the amount of covered taxable reimbursements for Year 1, the CMTR’s for Year 1 and Year 2, and the total amount of the WTA’s paid in Year 1 into the gross-up formula as follows:

Formula:

$$Z = \frac{X}{1 - W}(R) - \frac{1 - X}{1 - W}(Y)$$

Where:

Z = RIT allowance payable in Year 2

X = CMTR for Year 1

W = CMTR for Year 2

R = covered taxable reimbursements

Y = total WTA’s paid in Year 1

Example:

If:

X = .3903

W = .3448

R = \$21,800

Y = \$5,450

Then:

$$Z = \frac{.3903}{1.00 - .3448}(\$21,800) - \frac{1.00 - .3903}{1.00 - .3448}(\$5,450)$$

$Z = .5957(\$21,800) - .9306(\$5,450)$

$Z = \$12,986.26 - \$5,071.77$

$Z = \$7,914.49$

(2) There may be instances when a WTA was not paid in Year 1 at the time moving expense reimbursements were made. In cases where there is no WTA to be deducted, the value of “Y” is zero and the formula stated in [paragraph \(f\)\(1\)](#) of this section, for calculating the amount of the RIT allowance (Z) due the employee in Year 2 may be solved as shown in the following example:

Example:

If:

X = .3903
 W = .3448
 R = \$21,800
 Y = Zero

Then:

$$Z = \frac{.3903}{1.00 - .3448}(\$21,800)$$

Z = .5957 (\$21,800)

Z = \$12,986.26

(3) Certain States do not allow the deduction of all or part of the covered moving expenses that are deductible for Federal income tax purposes. The State gross-up to cover the additional State income tax liability resulting from the covered moving expense reimbursements received in Year 1 that are deductible for Federal income tax purposes but not for State income tax purposes is calculated in Year 2 as follows:

(i) The State gross-up is calculated by substituting the amount of covered moving expense reimbursements that are deductible for Federal income tax purposes but not for State income tax purposes, the Federal tax rate for Year 1, the State tax rate for Year 1, and the combined marginal tax rate for Year 2 into the State gross-up formula as follows:

Formula:

$$A = \frac{S(1 - F)}{1 - W}(N)$$

Where:

A = State gross-up
 F = Federal tax rate for Year 1
 S = State tax rate for Year 1
 W = CMTR for Year 2
 N = covered moving expense reimbursements that are deductible for Federal income tax purposes but not for State income tax purposes

Example:

If:

F = .33
 S = .06
 W = .3448
 N = \$9,250

Then:

$$A = \frac{.06(1.00 - .33)}{1.00 - .3448}(\$9,250)$$

A = .0614 (\$9,250)

A = \$567.95

(ii) Add the State gross-up to the RIT allowance as calculated using the formula in [paragraph \(f\)\(1\)](#) of this section. The result is the RIT allowance adjusted for those States that do not allow moving expense deductions.

Example:

RIT allowance payable in Year	\$7,914.49
Plus adjustment factor	+567.95
Total	<u>\$8,482.44</u>

(4) If the amount of the RIT allowance is greater than zero, it is payable to the employee on the travel voucher as a relocation or moving expense allowance. The RIT allowance amount is included in the employee's gross income for Year 2 and, therefore, subject to appropriate withholding taxes. (See net payment to employee in [paragraph \(g\)](#) of this section.) The RIT allowance amount will be reported on IRS Form W-2 for Year 2 (including applicable income tax withholding amounts) and on IRS Form 4782 for the employee's information.

(5) If the calculation of the RIT allowance results in a negative amount, the employee is obligated to repay this amount as a debt due the Government. (See [§302-17.7\(e\)\(2\)](#) and [§302-17.9\(b\)](#).)

(6) Any changes to the employee's income level or filing status for Year 1 that would affect the marginal tax rates (Federal, State, or local) used in calculating the RIT allowance must be reported to the agency by the employee as provided in [§302-17.9\(b\)\(2\)](#). (See also [§302-17.10](#) for certified statement regarding these changes.)

(g) *Determination of the net payment due employee in Year 2.* Since the amount of the RIT allowance is income to the employee in Year 2, it is subject to the same tax withholding requirements as all other moving expense reimbursements. Agencies should determine the appropriate amounts for withholding taxes under their internal tax withholding procedures. The amount of withholding taxes is deducted from the RIT allowance to arrive at the net payment to the employee.

§302-17.9 Responsibilities.

(a) *Agency.* Finance offices will calculate the amount of the gross-up for the WTA in Year 1 in accordance with procedures outlined herein and credit this amount to the employee at the time of reimbursement as provided in [§302-17.7\(e\)](#). The WTA will be reflected on the employee's Form W-2 for Year 1. The RIT allowance may be calculated in Year 2 either by the employee or by the agency finance office based on information provided by the employee on the voucher, as directed by the agency's implementing policies and procedures. In addition, agencies shall prescribe appropriate and

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necessary implementing procedures as provided elsewhere in this part.

(b) *Employee.* (1) The employee is required to submit a claim for the RIT allowance and to file the tax information for Year 1 specified in §302-17.10 with his/her agency in Year 2, regardless of whether any additional reimbursement for the RIT allowance is owed the employee. (See §302-17.7(e) for employee agreement.)

(2) If any action occurs (i.e., amended tax return, tax audit, etc.) that would change the information provided in Year 2 by the employee to his/her agency for use in calculating the RIT allowance due the employee for Year 1 taxes, this information must be provided by the employee to his/her agency under procedures prescribed by the agency. (See §302-17.10.)

(3) If the calculation of the RIT allowance results in a negative amount, the employee is obligated to repay this amount as a debt due the Government. (See §302-17.7(e)(2) and §302-17.8(f)(5).)

§302-17.10 Claims for payment and supporting documentation and verification.

(a) *Claims forms.* Claims for payment of the RIT allowance shall be submitted by the employee in Year 2 on SF 1012 (Travel Voucher) or other authorized travel voucher form. When claiming payment for the RIT allowance, the employee shall furnish and certify to certain tax information that has been or will be shown on his/her actually prepared tax returns. The spouse must also sign statement if joint filing status is claimed and spouse's income is included on statement. This information shall be contained in a certified statement on, or attached to, the SF 1012 reading essentially as follows:

CERTIFIED STATEMENT

I certify that the following information, which is to be used in calculating the RIT allowance to which I am entitled, has been (or will be) shown on the income tax returns filed (or to be filed) by me (or by my spouse and me) with the applicable Federal, State, and local (specify which) tax authorities for the 19__ tax year.

—Gross compensation as shown on attached IRS Form(s) W-2 and, if applicable, net earnings (or loss) from self-employment income shown on attached Schedule SE (Form 1040):

	Form(s) W-2	Schedule SE
Employee	\$ _____	\$ _____
Spouse (if filing jointly) ¹	\$ _____	\$ _____
Total (both columns)	\$ _____

—Filing status: _____
(Specify one of the filing status items that was (or will be) claimed on IRS Form 1040.)

—Marginal tax rates from the appropriate RIT tax table(s) located at www.gsa.gov/ftrbulletin and local tax tables derived under procedures prescribed in 41 CFR [Part 302-17](#):

Federal for Year 1 _____
 Federal for Year 2 _____
 State (specify which): _____
 Local (specify which): _____

The above information is true and accurate to the best of my knowledge. I (we) agree to notify the appropriate agency official of any changes to the above (i.e., from amended tax returns, tax audit, etc.) so that appropriate adjustments to the RIT allowance can be made. The required supporting documents are attached. Additional documentation will be furnished if requested.

I (we) further agree that if the 12-month service agreement required by 41 CFR [302-2.13](#) is violated, the total amount of the RIT allowance will become a debt due the United States Government and will be repaid according to agency procedures.

Employee's signature

Date

Spouse's signature (if filing jointly)¹

Date

¹ If a joint filing status is claimed and spouse's income is included, the spouse must sign the statement. If the spouse does not sign the document, earned income will include only the employee's earned income as provided in 41 CFR [302-17.8\(d\)](#). This condition will not apply if an employee is allowed, under IRS rules, to file a joint return as a surviving spouse.

(b) *Supporting documentation/verification.* The claim for the RIT allowance shall be supported by documentation attached to the voucher and by verification of State and local tax obligations as provided below:

(1) Copies of the appropriate IRS Forms W-2 and, if applicable, the completed IRS Schedule SE (Form 1040) shall be attached to the voucher to substantiate the income amounts shown in the certified statement. Employee (and spouse, if filing jointly) must agree to provide additional documentation to verify income amounts, filing status, and State and local income tax obligations if requested by the agency.

(2) In order to determine or verify whether a particular State or local tax authority imposes a tax on moving expense reimbursements, it is incumbent upon the appropriate agency officials to become familiar with the State and local tax laws that affect their transferring employees. In cases where the taxability of moving expense reimbursements is not clear, an agency may pay a RIT allowance which reflects only those

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State and local tax obligations that are clearly imposed under State and local tax law. Once the questionable State or local tax obligations are resolved, agencies may recompute the RIT allowance and make appropriate payment adjustments.

(c) *Fraudulent claims.* A claim against the United States is forfeited if the claimant defrauds or attempts to defraud the Government in connection therewith (28 U.S.C. 2514). In addition, there are two criminal provisions under which severe penalties may be imposed on an employee who knowingly presents a false, fictitious, or fraudulent claim against the United States (18 U.S.C. 287 and 1001). The employee's claim for payment of the RIT allowance shall accurately reflect the facts involved in every instance so that any violation of these provisions will be avoided.

§302-17.11 Violation of service agreement.

In the event the employee violates the terms of the service agreement required under [§302-2.13](#), no part of the RIT allowance or the WTA will be paid, and any amounts paid prior to such violation shall be a debt due the United States until they are repaid by the employee.

§302-17.12 Advance of funds.

No advance of funds is authorized in connection with the allowance provided in this part.

§302-17.13 Source of references.

The following references or publications have been used as source material for this part.

(a) Internal Revenue Code (IRC), section 164(a)(3) (26 U.S.C. 164(a)(3)) pertaining to the deductibility of State and local income taxes, and section 217 (26 U.S.C. 217), pertaining to moving expenses.

(b) Internal Revenue Service Publication 521, "Moving Expenses."

(c) Internal Revenue Service, Circular E, "Employer's Tax Guide."

(d) Department of the Treasury Financial Manual, TFM 3-5000.

(e) 31 CFR 215.2 (5 U.S.C. 5516, 5517, and 5520).

§302-17.14 Where can I find the tax tables used for calculating the relocation income tax (RIT) allowances?

The annual tax tables for Federal, State, and Puerto Rico needed for calculating RIT allowance are published annually as an FTR Bulletin. These Bulletins are located at www.gsa.gov/ftrbulletin. A notice announcing each new Bulletin will be published in the *Federal Register*.

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