

What is Gross Up?

Gross up on relocation refers to money that is added to your pay to offset the federal and state tax deducted from the relocation reimbursement amount. You do not see the money in your pocket, but rather it offsets taxes that would have reduced the payment if we had not paid you the additional amount.

For example:

If the Relocation reimbursement request submitted = \$5668.

Without a gross up the net payment received would be \$3539.66 because federal and state taxes reduce the pay out by \$1694.73 (\$1417 federal + \$277.73 state).

Paying only the additional amount of the taxes would create a larger tax burden because there would be taxes on that additional amount as well. Instead by paying an additional \$2417.59 the federal and state taxes on the original \$5668 and the additional federal and state taxes on the gross up are covered. The overall result is a net payment of \$5049.45. This equals the original \$5668 less only the total social security and medicare on the total payout amount of \$8085.59.

See the result is by looking at the following:

Reimbursement amount requested	\$ 5,668.00	Tax Gross Up	\$ 2,417.59	Total payment	\$ 8,085.59
Federal deduction	\$ (1,417.00)	Federal deduction	\$ (604.40)	Federal deduction	\$ (2,021.40)
State deduction	\$ (277.73)	State deduction	\$ (118.46)	State deduction	\$ (396.19)
Social security deduction*	\$ (351.42)	Social security deduction	\$ (149.89)	Social security deduction	\$ (501.31)
Medicare deduction	\$ (82.19)	Medicare deduction	\$ (35.05)	Medicare deduction	\$ (117.24)
Net result	\$ 3,539.66	Net result	\$ 1,509.79	Net result	\$ 5,049.45

Bottom line:

Without the gross up component, the net pay for a reimbursement request would be only \$3,539.66.

With the gross up component, the net pay for a reimbursement is \$5,049.45. The difference between the amount requested and the net pay is only the social security and medicare (on the Total payment). ($\$5,668.00 - 501.31 - 117.24 = \5049.45).

*Social security deduction rate in this example is 6.20%.