

## Relocation Allowances

## § 302-12.10

may experience as a result of providing relocation services.

### **§302-12.7 What policies must we establish when offering our employees the services of a relocation services company?**

You must establish policies governing:

(a) The conditions under which you will authorize an employee to use a relocation services company;

(b) Which employees you will allow to use a relocation services company;

(c) What relocation services you will offer an employee; and

(d) Who will determine in each case if an employee may use a relocation services company and what services will be offered.

### **§302-12.8 What rules must we follow when contracting for relocation services?**

The rules contained in the Federal Acquisition Regulations (FAR) (48 CFR) and/or other procurement regulations applicable to you.

### **§302-12.9 What are the income tax consequences that we must consider when offering relocation services?**

Amounts you pay to a relocation services company on behalf of an employee may be taxable to the employee. In some cases, such as with certain homesale programs, the amounts may not be taxable. You must determine the taxability of such payments, and pay a relocation income tax (RIT) allowance in accordance with part 302-11 of this chapter on payments you determine to be taxable to the employee. You may contact the Assistant Chief Counsel (Income Tax & Accounting), Internal Revenue Service, 1111 Constitution Avenue, NW., Room 5501, Washington, DC 20224, for information on the income tax consequences of payments you make to a relocation services company.

### **§302-12.10 What must we consider in deciding whether to use the fixed-fee or cost-reimbursable contracting method?**

You must consider the following factors in deciding which contracting method to use:

(a) *Risk of alternative methods.* Under a fixed fee contract, the relocation services company bears all risks not expressly contained in the contract. Under a cost-reimbursable contract, you must assume some or all risks and, therefore, must assume some management responsibilities under the contract as well. For example, under a fixed fee homesale program you are not directly liable for losses incurred if a residence does not sell immediately, while under a cost-reimbursable homesale program you assume some or all risks of selling the residence.

(b) *Cost of alternative methods.* Under the fixed fee method of contracting, the fee includes a cost component for risk assumed by the relocation services company. Under the cost-reimbursable method of contracting, you are directly responsible for some or all of the costs associated with management of the contract. In deciding whether to use cost-reimbursable contracting you, therefore, must consider the cost of resources you would require (including personnel costs) to manage a cost-reimbursable relocation services contract.

(c) *Effect on the obligation of funds.* You must obligate funds for a relocation in the fiscal year in which the purchase order is awarded under the contract. Under the fixed fee contracting method, the amount of the relocation services fee is fixed and you have a basis for determining the amount of funds to obligate. Under the cost-reimbursable contracting method, you must obligate funds based on an estimate of the costs that will be incurred. When opting for cost-reimbursable contracting you, therefore, should establish a reliable method of computing fund obligation estimates.