

Relocation Allowances

§ 302-17.8

(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 (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