

§ 302-17.8

41 CFR Ch. 302 (7-1-03 Edition)

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:

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

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 transfers 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.)

$$\text{CMTR Formula: } X = P + S + L$$

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 §302-17.8(e)(4)(i)(B).)  
 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