

Relocation Allowances

§ 302-17.8

W = CMTR for Year 2
 R = covered taxable reimbursements
 Y = total WTA's paid in Year 1

X = .3903
 W = .3448
 R = \$21,800
 Y = \$5,450

Example:
 If:

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''

Formula:

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

(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:

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:

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

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

Then:

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

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

Z = .5957 (\$21,800)
 Z = \$12,986.26

A = .0614 (\$9,250)
 A = \$567.95

(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:

(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
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Total	\$8,482.44

(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:

(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