Taxability of Moving/Relocation Expenditures

The tax reform bill (H.R. 1, P.L. 115-97), enacted on December 22, 2017, included a change to the taxability of moving and relocation expenses. In 2017 and prior years, certain “qualified moving expenses” for new employees were excluded from gross income. As of January 1, 2018, all moving expenses paid or reimbursed by the CSU or its auxiliaries are taxable and reportable as wages to the recipient. The exclusion from gross income in Internal Revenue Code (IRC) § 217, as well as the fringe benefit rule in IRC § 132(g), are suspended from 2018-2025 (1/1/2018 to 12/31/2025). This is further supported by CSU Technical Letter HR 2018-10.

The listing below provides information on allowable reimbursements for the most common types of moving and relocation expenditures as allowed by the CSU Systemwide policies and California State University, Fullerton policies.

ALLOWABLE EXPENSES – The following may be reimbursed by the University:

Full or partial reimbursement, within budgetary constraints, may be allowed for the following expenses with original receipts.

TAXABLE AND REPORTABLE TO THE INDIVIDUAL

- Expenses incurred for packing, transportation (including related tariffs/surcharges), storage in transit up to 30 days (not to exceed 60 calendar days), and unpacking of the new employee's household goods at the new residence.
  - “Household goods” includes furniture, clothing, household appliances, and other items that are usual or necessary for the maintenance of a household. Automobiles and other vehicles are not considered household goods.
- Payments by the University to a third-party moving/relocation vendor on behalf of a new employee and spouse for qualified moving expenses for household goods. Expense reimbursement for optional insurance coverage taken by the individual is not reimbursable.
- Mileage reimbursement for the new employee’s private vehicle. No reimbursement for transport of personal vehicle(s).
- Payments for lodging expenses for only the new employee and their spouse/domestic partner related to the relocation from their old to new residence. No reimbursement for the employee’s children, family, relatives, other dependents, friends or pets.
- Reimbursement to new employees who elect to move themselves for such moves may not exceed the costs that would have been incurred had a commercial firm been used.
  - Moving truck rentals: Actual costs incurred for truck rental (excluding insurance), boxes, packing materials, and gasoline for rental truck supported by original receipts;
  - Moving trailer rentals: Actual rental costs (excluding hitch) supported by original receipts;
  - Mileage: When driving a personal vehicle, mileage is reimbursed at $0.18 per mile from 1/1/2018 to 12/31/18 and $0.17 from 1/1/2017 to 12/31/17, one way;
  - Casual labor: When the new employee hires a non-professional to help pack and/or load household goods, an original receipt signed and dated by the non-professional must be obtained. This original receipt must state the non-professional’s name, description of service(s) provided, date(s) of service, and dollar amount paid by the new employee for the services rendered.
- One pre-move house hunting trip expense reimbursement, including transportation, meals, and lodging for new employee and spouse/domestic partner.
- Meals for new employee and spouse/domestic partner associated with the final move to the new residence (during the time of travel relocating from their old to new residence).
- Storage charges more than 30 days after moving into the new residence (not to exceed 60 calendar days).

In accordance to IRS Regulations:
- Above items reported and requested for reimbursement are considered taxable, subject to income tax withholding and are reported as wages on the individual's IRS Form W-2 during the year(s) in which the payments or reimbursements occurred.
- Tax withholding is determined by the current rates and the appropriate FICA tax rate by the employee's appointment.

The gross amount of the payment and withholdings will be included on the W-2 in the year in which payment is made.

REQUIRED IRS MOVING & RELOCATION CRITERIA (DISTANCE/EMPLOYMENT STATUS) THAT MUST BE MET

IRS Regulations require that reimbursed moving/relocation expenses must be: (1) in connection with beginning work at a new job location and incurred within one year from the start of the new job, (2) be paid during the 12 months immediately following the move date, and (3) the new job location must be at least 50 miles farther from the employee's former residence. In addition, during the 12 months immediately following the move, the employee must be employed full-time for at least 39 weeks. The employee's new principle residence also must be closer in proximity to the main CSUF campus than the employee's former principle residence (including vacation homes). As defined by IRS Publication 521, the distance between a job location and your home is the shortest of the more commonly traveled routes between them. The distance test considers only the location of your former home. The cost of traveling from your former home to your new one should be by the shortest, most direct route available by conventional transportation. If during your trip to your new home, you stop over, or make side trips for sightseeing, the additional expenses for your stopover or side trips are not reimbursable expenses. Moving and relocation expenses not meeting the above requirements cannot be paid by the University.

REIMBURSEMENTS MADE TO NON-U.S. CITIZEN FACULTY/STAFF

Non-U.S. citizen faculty and staff who are under a F-1, J-1, TN or H1-B visa or DACA EAD status must provide the university with proper documentation of their immigration status and work authorization, prior to authorization of payment or reimbursement.

TAXABLE INCOME REPORTING AND WITHHOLDING REQUIREMENTS

All amounts paid on behalf of the employee for moving expenses are reported to the CA State Controller’s Office and will be taxable at the 22% supplemental Federal income tax rate. The amounts are reported in Box 1 of the W-2 Form. Such amounts are also subject to applicable state income withholding taxes. Please consult your personal tax advisor should you have any questions regarding these matters. The University does not gross-up payments to take into account the applicable taxes and/or union dues will be withheld or deducted for moving and relocation payments.
ADDITIONAL INFORMATION
The information contained in this document is subject to change. The University cannot reimburse Moving and relocation expenses not listed above. Reimbursements are limited to eligible expenses accompanied by original receipts showing proof of payment. Please email travel@fullerton.edu or the University Tax Compliance Manager, gsweet@fullerton.edu, for additional clarification.

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