OP 72.10: Payments for Employee Moving Expenses

DATE: April 1, 2019

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to establish procedures for paying employee moving expenses.

REVIEW: This OP will be reviewed in November of odd-numbered years by the Managing Director of Payroll & Tax Services with substantive revisions forwarded through administrative channels to the Vice president of Administration & Finance and Chief Financial Officer.

AUTHORITY AND APPLICABILITY
This OP follows the tax rules set forth by the Internal Revenue Service (IRS). See IRS Publication 521 for more information. In the event that the IRS rules change or there is a discrepancy between this OP and the IRS, the rules set forth by the IRS will prevail.

POLICY/PROCEDURE

1. Business Expenses

Expenses incurred to bring prospective employees to the university (for example, recruiting, interviews, etc.) are business expenses that should be paid directly to the vendor and are not employee moving expenses covered by this OP.

2. Employee Moving Expenses

   a. All relocation payments made on or after January 1, 2018 will be taxable. Recent passage of the Tax Cuts and Jobs Act removes the individual moving expense deduction effective January 1, 2018. This change will prohibit an employer’s ability to pay and/or reimburse an employee’s moving expense as a nontaxable payment. As such all relocation payments made on or after January 1, 2018 will be taxable and must be submitted on the MOV earn code.

   b. Payments of moving expenses to the employee should be processed through Human Resources by processing through the Employee One-Time Payment System (EOPS), located at https://banapps.texastech.edu/itis/PY_employee_OTP/Welcome.aspx. The MOV pay code should be used for all moving expenses.

      (1) Actual Reimbursement: if reimbursing actual (incurred) moving expenses, please submit copies of the receipts with the MOV EOPS. Receipts need not be original; physical and/or digital copies are sufficient. Scanned copies of all applicable receipts attached to the EOPS as a PDF document is the preferred method. The following information should be included with the receipts:
(a) The date the employee accepted the job;
(b) The date the employee started work;
(c) The date(s) the moving expenses were incurred;
(d) The date(s) the employee was traveling and moving;
(e) The employee’s former city of residence; and
(f) The family members who traveled with the employee.

(2) Relocation Stipend: For relocation stipends, receipts are not required if an offer letter indicating the amount of the relocation stipend offered is attached to the EOPS transaction. Departments do not have to wait until the move has occurred to submit the EOPS payment.

c. Payments of expenses to a contracted third party vendor should be made through TechBuy. If agreed upon by the department and the employee, departments may contract with a third party vendor to complete the moving/relocation services. In this case the moving expenses should be paid directly to the moving company through TechBuy. Any moving expenses that are paid through TechBuy to a third party on behalf of an employee are considered a taxable benefit. Amounts paid to a third party on behalf of an employee that are for moving expenses will be added to the employee’s W-2 wages with taxes withheld. It is the responsibility of the department to inform the employee that taxes will be withheld on this type of payment.

3. To the extent possible, employee moving expenses should be paid directly to the moving company through TechBuy/SciQuest. Any moving expenses that are paid through TechBuy/SciQuest to a third party on behalf of an employee will be reviewed by Payroll & Tax Services. Amounts paid to a third party on behalf of an employee that are for taxable moving expenses will be added to the employee’s W-2 wages with taxes withheld. It is the responsibility of the department to inform the employee that taxes will be withheld on this type of payment.

4. All moving expenses paid or incurred by an employee that the university has agreed to reimburse to such employee should be processed through Human Resource Services by submitting an Employee One-Time Payment (EOP) request through the EOP System (https://banapps.texastech.edu/itis/py_employee_otp/welcome.aspx). The MOV earn code should be used for taxable moving expenses and the NMV earn code should be used for nontaxable moving expenses.

5. Transactions submitted on the NMW earn code requires all original receipts, and a detailed schedule should be forwarded to Payroll & Tax Services. Transactions submitted on the MOV earn code requires all original receipts and a detailed schedule attached to the EOPS transaction or forwarded to Payroll & Tax Services. The detailed schedule should include the following:

6. (1) The date the employee accepted the job;
7. (2) The date the employee started work;
8. (3) The date(s) the moving expenses were incurred;
9. (4) The date(s) the employee was traveling and moving;
10. (5) The employee’s former city of residence; and
11. (6) The family members who traveled with the employee.
12. For nontaxable employee moving expense reimbursements, institutional funds must be used because state appropriated funds cannot be used.

13. Definitions
14. Generally, nontaxable moving expenses include expenses that are submitted for reimbursement less than 60 days from the date the employee paid or incurred the expense and cover all reasonable expenses of moving household goods and personal effects for the employee and their family members and the cost of traveling to a new home. Examples of nontaxable moving expenses include the cost of packing, crating, and transporting the household goods and personal effects of the employee and the members of the employee's household from the employee's former home to the new home. This includes any gas receipts for a truck rental. Nontaxable also includes in-transit storage and insurance, if incurred within any consecutive 30-day period after moving from the old home and before delivery to the new home. The lodging, but NOT meals, for the employee and household members while traveling from the old home to the new home are nontaxable moving expenses. This includes expenses for the day of arrival in the new city. Additionally, any lodging expenses the employee had in the area of the former home within one day after the employee could not live in the former home because the furniture had been moved are considered nontaxable expenses. Only expenses for one trip to the new home for the employee and household members are considered nontaxable. If employees use their personal car to take themselves, members of their household, or their personal effects to a new home, then either (1) the actual expenses, such as gas and oil, OR (2) $0.17 per mile, if the employee is reimbursed for mileage, will be considered nontaxable moving expenses. Note that only $0.17 per mile can be reimbursed as nontaxable; any amount over $0.17 per mile that is approved for payment is considered a taxable moving expense. The $0.17 mentioned here is the 2017 standard mileage rate, as published by the IRS. It is important to check the current IRS publication for the applicable current standard mileage rate.

15. Generally, taxable moving expenses include all expenses that are submitted for reimbursement 60 days or more from the date the employee paid or incurred the expense, as these do not fall within the IRS accountable plan rules and are automatically taxable. Also, taxable moving expenses include all other expenses that are not related to moving household goods and personal effects for the employee and their family members and the cost of traveling to a new home.

16. Examples of taxable moving expenses include pre-move house hunting expenses, temporary living expenses, meal expenses, mileage reimbursement over $0.17 per mile, return trips to the old home, expenses of buying or selling a home, expenses of acquiring or breaking a lease, security deposits (including any lost as a result of the move), home improvements to help sell the home, loss on the sale of the home, mortgage penalties, losses from disposing of memberships in clubs, any part of the purchase price of the new home, real estate taxes, car tags, driver's license, refitting carpets, and storage charges, except those incurred in transit.

42.3 Approvals

Reimbursement for moving expenses requires the approval of the appropriate vice presidents or the Provost and Senior Vice President.