

Employee Relocation Expense Changes

Recent passage of the Tax Cuts and Jobs Act removes the individual moving expense deduction effective January 1, 2018. This change will limit an employer's ability to pay and/or reimburse an employee's moving expense as a **nontaxable** payment. To ensure compliance with tax legislation, all departments should use the following as guidance for employee/faculty relocations until operating policies are updated.

2017 Employee/Faculty Relocation

Directly Contracted Expense

Individual employee moving expenses to a moving company and/or hotel contracted through the Procurement Office.

- Payment for moving services and/or hotel expenses that occurred prior to January 1, 2018 need to be submitted to Payment Services by February 28, 2018. Assuming all criteria for nontaxable relocation prior to January 1, 2018 are met, payment will not be taxable to the employee.
- Any invoices received after this date will be automatically taxed on the employee's payroll check.
- Notification of tax applied to employee's payroll will be sent to the individual that prepared the requisition. The employing department will need to inform the employee that applicable taxes will be reflected on the payroll check.

Employee Relocation Reimbursement

Individual employee moving expenses reimbursed through payroll/EOPS.

- All nontaxable moving expenses prior to January 1, 2018 must be submitted in EOPS and through approvals on the NMV earn code by February 16, 2018.
- Receipts must be attached to the transaction or sent to MS1092 by February 16, 2018.
- NMV earn code will be inactivated in EOPS after February 16, 2018.

2018 Employee/Faculty Relocation

Directly Contracted Expense

Individual employee moving expenses to a moving company and/or hotel contracted through the Procurement Office.

- Departments can continue to contract directly with moving companies and/or hotels for employee relocation.
- All payments on behalf of the employee will be taxable at the supplemental federal income tax withholding rate. Currently 25%, but rate will change to 22% when 2018 tax rates are implemented.
- Payroll & Tax Services will administratively apply an adjustment to the employee's paycheck to include the relocation expense in gross wages.
- Notification of tax applied to employee's payroll will be sent to the individual that prepared the requisition. The employing department will need to inform the employee that applicable taxes will be reflected on the payroll check.

Employee Relocation Payment

Individual employee moving expenses paid through payroll/EOPS.

- All relocation payments made beginning January 1, 2018 will be taxable and will be submitted on the MOV earn code.
- Departments do not have to wait until the move has occurred to submit payment if the offer letter indicating amount of relocation offered is attached to the EOPS transaction.
- Receipts are not required if offer letter indicating amount of relocation offered is attached to the EOPS transaction.
- Offer letter templates will need to be updated to indicate applicable taxes will be withheld for relocation payments. Please contact Kara Newcomb, kara.newcomb@ttu.edu for assistance with updating templates.

***NOTE:** These changes do not affect business moving expenses. i.e. cost of moving lab equipment for new hires, office moves, etc.