

Relocation/Moving Expenses

Current Law (prior to January 1, 2018)

IRC §132(g) allows an exclusion from wages for FIT, FITW, Social Security and Medicare withholding purposes for moving expenses reimbursed or paid directly by the employer to the extent those moving expenses are deductible under IRC §217. Under IRC §217, the exclusion applies to the cost of moving household goods and personal effects from the former residence to the new, the first 30 days of storage for a domestic move, and lodging and mileage expenses incurred during the period of travel from the former residence to the new place of residence. Nontaxable moving expense reimbursements paid directly to employees are reported on Form W-2, box 12, code P. (See IRS [Publication 521](#) 2018)

Federal Tax Cuts and Jobs Act changes (TCJA, P.L. 115-97)

The Federal Tax Cuts and Jobs Act (TCJA, P.L. 115-97) placed new requirements to include **all** employer paid relocation/moving expenses in Federal wage income. The most significant changes from existing law is the reimbursements for moving expenses of household goods and personal effects made to employees or paid directly to third parties on and after January 1, 2018, and through December 31, 2025 are included in federal wages, subject to income tax, Social Security and Medicare withholding. (TCJA §11048.) This is referred to as *imputed income*.

Imputed income must be added to an employee's normal pay cycle to be correctly reported and subject to withholding. Income tax withholding will be based upon the income tax withholding tables driven by the individual's W-4. The addition of imputed income to a regular pay cycle may drive the withholding for the entire paycheck into a higher Federal withholding percentage and can have a significant impact to net pay. Reporting in Form W-2, box 12, code P will no longer apply.

California Law (R&TC section 17131)

California will conform to the federal rules relating to the qualified moving expense reimbursement being excluded from gross income under IRC section 132(g), as of the specified date of January 1, 2015. California will not conform to the federal suspension of this exclusion under the Tax Cuts and Jobs Act.

2018 Employer reimbursements for 2017 qualified Relocation/Moving Expenses

The IRS has released [Notice 2018-75](#) indicating reimbursements an employer pays to an employee in 2018 for qualified moving expenses incurred in a prior year are not subject to federal income or employment taxes. The same is true if the employer pays a moving company in 2018 for qualified moving services provided to an employee prior to 2018.

To qualify, reimbursements or payments must be for work-related moving expenses that would have been deductible by the employee if the employee had directly paid them prior to Jan. 1, 2018. The employee must not have deducted them in 2017. For more information on the 2017 rules, see [Form 3903](#) or [Publication 521](#).

*Relocation/Moving Expense reportables **MUST** be entered on the payline no later than **December 10th** to have applicable taxes withheld on the employees last paycheck of the year.*

Payment Type		Non Taxable Box 12P	Taxable Box 1/3/5	Taxable Box 1/3/5/16	Reportable Code
	Substantiated - Accounting of Expenses/Documents to Support Validity 2017 ONLY				
	Accountable Plan – 2017 ONLY	•			WME
	2018 - 2025				
	Relocation/Moving Expenses – accountable plan NEW CODE		•		WMT
	Non-accountable plan			•	WXE

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 new employer 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.