

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
NATIONAL BUSINESS CENTER
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DENVER, COLORADO 80225-0047

February 12, 2001

In Reply Refer To:
1382 BC-620) P

Information Bulletin No. BC-2001-039

To: Change of Station Transferees

From: Director, National Business Center

Subject: Payment of Withholding Tax Allowance (WTA) and Income Tax Relocation Allowance (ITRA)

Program Area: Travel

Purpose: The purpose of this bulletin is to update the language originally used in the Instruction Memorandum (IM) BC-96-009. This IB also reflects the fact that mileage reimbursements also became taxable in the last year.

Policy/Action: Income Tax Relocation Allowance (ITRA) is a reimbursement for substantially all the additional federal, state, and local taxes incurred by a transferred employee as a result of reimbursement for certain expenses. Attached are instructions to employees on how to claim the ITRA; these have been revised to incorporate the provisions of Supplement 27, FPMR 101-7, Federal Travel Regulations (FTR) dated April 26, 1988, and the provisions of the Tax Reform Act of 1986. A copy of these instructions should be provided to each employee involved in a permanent change of station move.

The Revenue Reconciliation Act of 1993, Public Law 103-66, enacted August 10, 1993, changed the tax treatment of most relocation allowances. Before any reimbursement for relocation expenses incurred may be considered nontaxable or deductible, the relocation must meet the revised distance test of 50 miles. The employee's new principal place of work must be at least 50 miles further from the employee's old residence than his old residence was from his old place of work. Failure to meet the distance test will result in all payments, including shipment and storage of household goods, being reported as taxable income.

En route transportation and reimbursement for lodging expenses incurred for the employee and family are not to be reported as income. However, reimbursements for meals, miscellaneous expenses, and a portion of the mileage reimbursements are to be included in taxable income.

Reimbursements for real estate, lease termination, and similar expenses are taxable and must be included in taxable income. Payments to third-party relocation service contractors for real estate expenses, including reimbursement for direct expenses for cancellations, are not taxable and are not reported as income.

All reimbursements for house-hunting, temporary quarters, and storage of household goods over 30 days are taxable and must be reported as taxable income. The \$3,000 exclusion for deductible expenses has been removed, along with the provision that allowed the employee to deduct the majority of the moving expense reimbursements.

When the National Business Center (NBC) processes a relocation voucher containing taxable reimbursements to an employee, a Withholding Tax Allowance (WTA) is also paid to the employee. The WTA covers an employee's federal tax withholding liability of 28 percent on covered taxable reimbursements. The WTA does not include an allowance for amounts withheld for state/local income taxes or social security taxes. However, WTA payments are considered taxable income and included in the employee's W-2 for the year in which the WTA was paid.

In contrast to the WTA, which is intended to provide a temporary offset for reductions in employee reimbursements due to tax withholdings, the ITRA is the allowance due to the employee for increased federal, state, and local income taxes resulting from taxable relocation reimbursements. In calculating the ITRA due for a specific tax year, amounts paid as WTA for the tax year are offset against the ITRA amount due. The ITRA paid depends, in part, upon the taxable income earned in the year in which the taxable relocation reimbursement was paid and the tax filing status selected (single, married filing jointly, etc.). Accordingly, ITRA claims cannot be processed until W-2s are available and employees have submitted fully documented claims. Information on filing status is required since limits on the amount of moving expenses deductible for federal tax purposes may vary according to filing status. Additional information on the deductibility of moving expenses is contained in IRS Publication N..521, Moving Expenses.

Time frame: This IB is effective upon receipt.

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Signed by:
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