Relocation Expenses for Newly Hired or Transferred Faculty and Staff

I. Purpose
To ensure that the University pays for, or reimburses, relocation expenses for employees where this benefit would serve as significant recruiting tool, to allow departments the flexibility to select the method of handling relocation expenses and to ensure departments communicate tax implications to employees and comply with state and federal tax laws.

II. Definitions
• **Members of Household**: Internal Revenue Service (IRS) Treasury Regulations defines ‘members of the household’ as other individuals who are members of the taxpayer’s household, and who have the taxpayer’s former residence and the taxpayer’s new residence as their principal place of abode. A member of the taxpayer’s household is an individual, including a domestic partner, residing at the taxpayer’s residence who is neither a tenant nor an employee of the taxpayer.

• **Qualified Moving Expenses**: The costs associated with moving household members and household goods to new primary residence which are considered deductible expenses by the IRS. The regulations include a requirement that the distance between the old home and the new place of work be at least 50 miles greater than the distance between the old home and the old place of work. Qualified expenses are defined in IRS Publication 521 Moving Expenses.

• **Primary Residence (or Principal Residence)**: The principal dwelling where the employee actually lives and is considered as the legal residence for income tax purposes.

III. Responsibilities
A. Employee
   1. Discuss with employing unit and determine which option selected for relocation expenses.
   2. Submit original itemized receipts to the employing unit for reimbursement of relocation moving expenses.
   3. Retain copies of all documentation for audit purposes. If selected cash option of relocation expenses, may need for personal tax return.

B. Department
   1. Determine maximum amount of house-hunting, temporary housing and relocation expenses and state amounts in the letter of offer. It is preferable to specify in the letter of offer the payment option selected for the relocation expenses. (i.e. cash payment, direct payment or reimbursement)
   2. Obtain appropriate level of approvals based upon position type prior to including in the letter of offer.

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<th>Position type</th>
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<td>Dean</td>
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<td>Faculty</td>
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<td>President</td>
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<td>Direct Reports</td>
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<td>Staff</td>
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3. Enter employee in SAP with the appropriate hire date.
4. Initiate house-hunting allowance, temporary housing allowance or relocation cash payment option through the payroll system by payroll calendar deadlines using the appropriate wage type.
5. Initiate PRD for reimbursement of qualified moving relocation expenses if reimbursement method selected.
6. Initiate PRD for direct payment of commercial carriers for moving expenses if direct payment method selected.

C. University Financial Services
1. Process cash payment option on next scheduled payroll date, withholding applicable income and employment taxes.
2. Review PRD submitted receipts for reimbursements for compliance with IRS qualified moving expenses. Report qualified moving expenses as an informational item on employee’s annual W-2 Form.
3. Review PRD submitted for direct payment to commercial moving companies for compliance with the IRS qualified moving expenses. Report any non-qualified amounts for reporting as taxable wages on employee’s annual W-2 Form.

IV. Policy
The University may reimburse newly hired or transferred employees for certain expenses incurred for relocation, house-hunting, and/or temporary housing, dependent on department/college funding. Departments will work with the employee to determine the maximum amount(s) to be allowed for relocation, house-hunting, and/or temporary housing and these amounts are to be included in the letter of offer to the employee. A copy of the letter of offer must accompany the appropriate University forms when payment is processed. No payments under this policy can be charged to sponsored projects.

V. Procedures
A. House-Hunting Allowance
1. An allowance may be provided by the department to cover house-hunting expenses, such as airline costs, hotels or auto rental agencies. The department shall determine maximum amount of reimbursement for the expenses and state amount in the letter of offer, not to exceed a maximum of $7,500.
2. Reimbursement will be made in the form of a cash payment through the University’s payroll system, which is subject to withholding of applicable income taxes and employee taxes. The payment will be reported as taxable wages on the employee’s W-2 form.
3. The new employee’s hiring information must exist in SAP and the department shall create an additional payment to pay for the house-hunting allowance, using wage type 2600. Payments must not be charged to sponsored projects.

B. Temporary Housing Expenses
1. An allowance or direct payment of temporary housing expenses may be provided by the department to cover temporary housing expenses. In either option, the amount must be stated in the letter of offer and the amount will be taxable wages on the employee’s W-2 Form.
2. The allowance or direct payment may not exceed $1,500 per month for a maximum of three months.

3. The new employee’s hiring information must exist in SAP and the department shall create an additional payment to pay for the temporary housing expense allowance, using wage type 2090 housing allowance. Payments must not be charged to sponsored projects.

4. Alternatively, the department may directly make the payment for temporary housing expenses on behalf of the employee. The department shall initiate PRD, selecting PRD commodity 78101805 Moving and Relocation Expenses, attaching the invoice for the temporary housing and copy of the letter of offer. The PRD must contain the employee’s name and Person ID number as it appears in SAP. Amount will be reported and included as taxable wages on employee’s W-2 form. Payments must not be charged to sponsored projects.

C. Relocation Expenses

1. An allowance, direct payment of relocation expenses or reimbursement to employee for qualified moving expenses may be provided by the department. In all three options, the maximum amount must be stated in the letter of offer and the amount may not exceed $10,000. Employees must select one option.

2. The cash payment allowance, up to $10,000, shall be processed as an additional payment through the payroll system, using wage type 2600. The employee information must exist in SAP and the amount will be reported as taxable wages and subject to applicable income and employment tax withholdings. Payment must not be charged to sponsored project.

3. For direct payment of relocation expenses, not to exceed $10,000, the employing unit shall arrange direct payment to a commercial moving company on behalf of the employee. The original itemized invoice and copy of the letter of offer should be submitted with the PRD. The PRD must contain the employee’s name and Person ID as it appears in SAP. If the payment is considered a qualified moving expense, the payment will not be reported as an informational item on the employee’s annual W-2 Form. If the payment is determined to be nonqualified expense, the payment will be subject to applicable income and employment taxes and the payment reported as taxable wages. Payments must not be charged to sponsored projects.

4. Reimbursement of qualified moving expenses, not to exceed $10,000, may be processed by PRD to the employee. The department shall initiate PRD, selecting PRD commodity 78101805 Moving and Relocation Expenses and provide appropriate documentation of requested amounts. Reimbursed qualified moving expenses will not be taxed but will be reported as an informational item on the employee’s W-2 form. Payments must not be charged to sponsored projects.

5. Qualified reimbursable expenses (not subject to tax withholding) include:
   a. Commercial moving company;
   b. Charges for packing, crating, mailing and/or shipping household goods and other miscellaneous packing supplies;
   c. Optional insurance on items such as furniture, clothing and utensils;
   d. Rental truck;
   e. In-transit storage for up to 30 consecutive days;
   f. Cost of shipping car(s) if not used in the move and household pets;
E. UNIVERSITY FINANCIAL SERVICES

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- Transportation costs (including coach airfare) for the employee and members of his household;
- If traveling by car, reimbursement can be actual expenses such as gas and oil or the standard mileage rate for moving expenses approved by the IRS; and
- Cost of lodging from former home to new home (including a maximum of one night at departure location and one night upon arrival at new destination).

6. Reimbursement for nonqualified expenses will not be processed. Employee should select cash option method if expected to have significant amount of nonqualified expenses. Nonqualified and non-reimbursable expenses include:
   - Meals while in transit;
   - Real estate expenses, including loss on the sale of your home;
   - Extraordinary items requiring special handling (e.g. boats);
   - Storage (excluding 30 days in transit);
   - Security deposits and utility/telephone installation charges;
   - Return trips to your former residence; and
   - Temporary living expense.