

GENERAL SERVICES ADMINISTRATION
Washington, DC 20405

December 4, 2019

Federal Travel Regulation
GSA Bulletin FTR 20-02

TO: Heads of Federal Agencies

SUBJECT: Relocation Allowances – Taxes on Travel, Transportation, and Relocation Expenses

1. What is the purpose of this bulletin? This bulletin contains certain examples and tables that were removed from FTR Part 302-17 as a result of FTR Amendment 2020-02 (the Amendment). The Amendment directs agencies to a GSA bulletin for the updated examples. Accordingly, this bulletin contains those updated examples and tables reflecting changes to relocation allowances as mentioned in the Amendment.

This bulletin also rescinds FTR Bulletins 18-05 and 19-02. The information in the aforementioned bulletins is duplicative now that the U.S. General Services Administration (GSA) has published the Amendment, dated November 25, 2019, as a direct final rule amending the Federal Travel Regulation (FTR) in line with changes to the Internal Revenue Code made by Public Law 115-97, known as the “Tax Cuts and Jobs Act of 2017” (the Act).

2. What is the effective date of this bulletin? This bulletin is effective upon signature, and will remain in effect until explicitly cancelled or superseded.

3. What is the background of this bulletin? The Act suspended moving expense deductions along with the exclusion for employer reimbursements and payments of moving expenses effective January 1, 2018, for tax years 2018 through 2025. GSA issued FTR Bulletins 18-05, dated May 14, 2018, and 19-02, dated November 27, 2018, providing information to agencies on the new tax changes affecting relocation entitlements. Federal agencies were advised to continue to rely on the FTR bulletins until GSA amended the FTR. In consultation with the Secretary of the Treasury and other agencies, GSA issued the Amendment to ensure the FTR is congruent with the Act’s resulting changes to the Internal Revenue Code.

4. To whom does this bulletin apply? This bulletin applies to employees identified in FTR §302-1.1 who are authorized relocation reimbursements under the FTR and who receive some or all reimbursements, direct payments, or indirect payments on or after January 1, 2018, and on or before December 31, 2025.

5. What relocation expenses reimbursements became taxable? Pursuant to the FTR § 302-17.8(b), the following table summarizes the FTR allowances, limitations, and tax treatment of each reimbursement, allowance, direct payment(s), or indirect payment(s) to a service provider or vendor.

Entitlement	Summary of FTR Allowance	FTR Part or Section	Tax Treatments
Overseas Tour Renewal Agreement Travel	Roundtrip travel and transportation expenses between overseas post of duty and the employee's actual place of residence in the U.S.	Part 302-3, Subpart C and F	Nontaxable
Meals for employee and/or family members while en route to the new duty station	Standard CONUS per diem rate for meals and incidental expenses	§302-4.200	Taxable
Lodging for employee and/or family members while en route to the new duty station	Standard CONUS per diem rate for lodging expenses	§302-4.200	Taxable
Transportation using your POV to your new duty station	Actual cost or the rate established by GSA for using a POV for relocation	Part 302-4	Taxable
Transportation to your new duty station using a common carrier (an airline, for example)	Actual cost	Part 302-4	Taxable
Per diem and transportation for house hunting trip	Per Diem Allowance: 10 days of per diem plus transportation expenses - must be itemized; or Lump Sum Method: locality rate times 5 (one person) or times 6.25 (employee and spouse) for up to 10 days - no itemization required	Part 302-5	Taxable
		Part 302-5	Taxable
Temporary quarters subsistence expenses (TQSE)	Actual Expense Method: Maximum of 120 days; full per diem for only the first 30 days - itemization required; or Lump Sum Method: multiply the number of days allowed by .75 times the locality rate (30 days maximum) - no itemization required Note: <i>Additional TQSE allowances for family members are less than the benefit for the employee occupying TQ alone.</i>	§302-6.100	Taxable
		§302-6.200	Taxable
Shipment of household goods (HHG) to include unaccompanied air baggage (UAB) and professional books, papers, and equipment (PBP&E)	Transportation of up to 18,000 pounds	Part 302-7	Taxable
Temporary storage of HHG in transit	Temporary storage of HHG NTE 150 days for CONUS relocation, and NTE 180 days for OCONUS relocation	§302-7.9	Taxable
Extended storage of HHG	CONUS – Temporary Change of Station per agency policy or isolated duty station only OCONUS - Agency policy	§302-3.414;	Taxable
		Part 302-8, Subpart B Part 302-8, Subpart C and D	Nontaxable
Transportation of privately-owned vehicle (POV)	CONUS - Agency discretion OCONUS - Agency discretion	Part 302-9, Subpart D	Taxable
		Part 302-9, Subpart B and C	Nontaxable
Shipment of mobile home in lieu of HHG	Limited to maximum allowance for HHG	§302-10.3	Taxable
Residence transactions			
Sale of home	Closing costs up to 10% of actual sales price	§302-11.300(a)	Taxable
Purchase of home	Closing costs up to 5% of actual purchase price	§302-11.300(b)	Taxable
Lease-breaking	Itemization required.	§§302-11.430 and 302-11.431	Taxable
Payments to Relocation Service Contractors	According to agency policy and contracts	Part 302-12	Taxability determined on a case-by-case basis
Home Marketing Incentive Payment	See internal agency policies and regulations	Part 302-14	Taxable, but not eligible for WTA or RITA
Property Management Services	See internal agency policies and regulations	Part 302-15	Taxable
Miscellaneous expenses	\$650 or \$1,300; or Maximum of 1 or 2 weeks basic pay	§302-16.102	Taxable
		§302-16.103	Taxable
Withholding tax allowance	Reimbursement allowances to assist with additional tax liability for relocation allowances, reimbursements, direct payments or indirect payments to vendors	Part 302-17, Subpart B	Taxable
Relocation income tax allowance	Based on income and tax filing status	Part 302-17, Subpart C	Taxable

6. Agencies are authorized to pay a Withholding Tax Allowance (WTA) and Relocation Income Tax Allowance (RITA) to eligible employees. What are the relevant special terms and examples for calculating WTA and RITA payments?

FTR, Chapter 302, Part 302-17 establishes the process for calculating WTA and RITA payments. This FTR bulletin includes examples for the following relevant terms: Marginal Tax Rate (MTR) pursuant to FTR § 302-17.1, Combined Marginal Tax Rate (CMTR) pursuant to FTR § 302-17.40, Withholding Tax Allowance (WTA) pursuant to FTR §302-17.24, and Relocation claims paid with or without the WTA, pursuant to § 302-17.61.

a. Marginal Tax Rate (MTR). The MTR is the rate applied to the last increment of taxable income after taxable relocation benefits have been added to the employee's income. For example, suppose a married employee who files jointly has a taxable income of \$120,000. According to the IRS 2019 Tax Rate Schedules, taxable income between \$78,950 and \$168,400 is taxed at the 22 percent tax rate. Therefore, since their \$120,000 of taxable income falls within that range, it is taxed at the 22 percent MTR. If the employee receives \$60,000 of taxable relocation benefits, then the taxable income for the employee and spouse increases to \$180,000, which is in the next highest tax bracket. In this example, the employee and spouse now have a Federal MTR (FMTR) of 24 percent after the taxable relocation benefits have been added to their income.

b. Combined Marginal Tax Rate (CMTR). The CMTR is the rate determined by combining the applicable FMTR, state MTR (SMTR) and local income taxes (LMTR) using the procedures provided in FTR §302-17.40.

Formula: $CMTR = FMTR + (1-FMTR)(SMTR) + (1-FMTR)(LMTR)$

Given an FMTR of 22%, SMTR of 6%, and LMTR of 6%, the CMTR would be calculated as follows:

$CMTR = 0.22 + (1.00 - 0.22) (0.06) + (1.00-0.22) (0.03) = .2902$ or 29.02%.

c. Withholding Tax Allowance (WTA). The agency computes the WTA by applying a grossed-up withholding each time the employee incurs a covered, taxable relocation expense, regardless of whether it is a reimbursement, allowance, or direct or indirect payment to a vendor. The formula to calculate the WTA is as follows:

Formula: $WTA = R/(1 - R) \times \text{Expense}$
where R is the withholding rate for supplemental wages

Given a supplemental wage rate of 22 percent, and the following authorized expenses, agencies would "gross-up" the relocation entitlement(s) to offset the additional federal tax liability, WTA would be calculated as follows:

House hunting trip	\$3,000.00
Temporary Quarters Subsistence Allowance	<u>\$5,000.00</u>
Total relocation expenses	\$8,000.00

$$WTA = .22/(1 - .22) \times \$8,000.00 = \$2,256.41$$

d. Relocation claims paid with or without the WTA. Agencies have the option of offering WTA for relocation payments to those who are eligible for WTA and RITA. The following example illustrates a calculation without WTA, and a calculation with WTA.

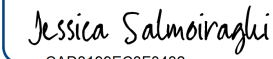
Note 1 to table: Agencies must deduct withholding for Federal supplemental wages (currently based on the 22% FMTR), and Federal Insurance Contributions Act (FICA) - Medicare (currently 1.45%) and Social Security (currently 6.20%). For WTA calculation see Paragraph 6(c) of this bulletin. To calculate withholding for Federal supplemental wages and FICA, multiply the Net allowance by the applicable percentage withholding.

Note 2 to table: Net amount due to employee equals Net allowance minus Federal supplemental wage withholding and minus FICA total.

Example	<u>Without WTA</u>	<u>With WTA</u>
Relocation allowance (RA)	\$1,300.00	\$1,300.00
WTA	N/A	\$366.67
Net allowance (RA plus WTA)	\$1,300.00	\$1,666.67
Federal supplemental wage withholding	-\$286.00	-\$366.67
FICA		
Social security withholding	-\$80.60	-\$103.33
Medicare withholding	<u>-\$18.85</u>	<u>-\$24.17</u>
Net amount due to employee	\$914.55	\$1,172.50

8. Whom should I call for further information? For further information or clarification of content, please contact Mr. Rick Miller, Office of Government-wide Policy (M), Office of Asset and Transportation Management (MA), at (202) 501-3822 or by e-mail at travelpolicy@gsa.gov. Please cite to FTR Bulletin 20-02.

By delegation of the Administrator of General Services,

DocuSigned by:

 CAD3199EC3F0432...
 Jessica Salmoiraghi
 Associate Administrator
 Office of Government-wide Policy