

## **Moving Expenses\***

Departments may offer to pay moving expenses as an incentive during the hiring process for a faculty or administrative position. (Policy 335 - "Relocation Assistance".) It is up to the department to negotiate an amount and cover the cost of the moving expenses.

Moving expenses covered by departments can either be paid directly to third parties or paid as reimbursements to the employee. Regardless of the payment method, some expenses are taxable and some are nontaxable.

The University complies with IRS regulations by reporting taxable payments as additional income, including the withholding of payroll taxes. This includes both taxable payments made directly to third parties and reimbursements made to the new employee.

### **Procedures:**

Taxable expenses paid directly to a third party must be reported to Accounts Payable.

Taxable and nontaxable expenses reimbursed to employees must be processed through Travel.

Nontaxable expenses paid directly to a third party:

- Moving Companies: these payments are normally processed through EZ-Buy. Departments are required to use state contracts available through Purchasing and Contracts Services unless a cheaper option is available.
- Lodging: only lodging during the move is nontaxable. It is usually paid by the department using a Travel Card or All-Card (requires a Travel Authorization).
- Airline tickets: may be purchased through Christopherson's or paid directly to an airline using a Travel Card or All-Card (requires a Travel Authorization).
- Rental cars: It is usually paid by the department using a Travel Card or All-Card (requires a Travel Authorization).

If a department wishes to pay an agreed-upon lump sum, please contact Accounts Payable for processing procedures.

### **Examples of nontaxable expenses (not included in the employee's income):**

Moving household goods and personal effects, including:

- The cost of packing, crating, and transporting household goods and personal effects from the former home to the new home
- The cost of shipping the employee's car and household pets
- The cost of storing and insuring household goods and personal effects while in transit

Traveling to the new home, including:

- One trip per person for the employee and members of the employee's household using the shortest, most direct route available
- Airfare, or current standard mileage rate, plus any parking fees and tolls
- Lodging expenses along the way and in the area of the employee's former home within one day after the employee's former home is no longer livable (ex: furniture had already been moved)

**Examples of taxable moving expenses (included in the employee's income whether reimbursed to the employee or paid directly to a third party):**

- Meals during the move
- Pre-move house-hunting expenses
- Cost of temporary living expenses
- Return trips to former residence
- Expenses of entering into or breaking a lease
- Security deposits (including any given up due to the move)
- Any part of the purchase price of the employee's new home
- Expenses of buying or selling a home (including closing costs, mortgage fees, and points)
- Home improvements to help sell current home
- Loss on the sale of current home
- Real estate taxes
- Storage charges except those incurred in transit, or for foreign moves

**Payments for moving expenses will be reported as follows on the employee's W-2\*:**

- Taxable expenses paid directly to third party or reimbursed to employee: W-2, box 1, (included as income)
- Nontaxable expenses reimbursed to the employee: W-2, box 12, code P (as information only)
- Nontaxable expenses paid directly to third party: no reporting required

*\* Please remind new employees to refer to IRS Publication 521 for complete information regarding moving expenses when filing their tax return.*