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FINANCIAL MANAGEMENT MEMORANDUM 2018-009 (Vol X.F)

To: Bureau Chief Financial Officers

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Office of Financial Management

Subject: 2018 Relocation Tax Expenses Update

The Tax Cuts and Jobs Act, PL 115-97, which was signed into law on December 22, 2017, changes the deductibility of certain moving expenses in connection with taking a new job. While the legislation has not been implemented into the Internal Revenue Code or the Code of Federal Regulations (CFR) as administrative law, the Office of Financial Management is issuing this memorandum to provide guidance to Bureaus on the actions that will be taken to implement the changes into the Department of the Interior (DOI) relocation program and the counsel the coordinators should offer relocating employees.

Relocation Moves Within CONUS Locations or Moves Between CONUS to OCONUS Non-Foreign Locations and Between OCONUS Non-Foreign to CONUS Locations

For all authorized relocation moves between points within the Continental United States (CONUS), or between points in the CONUS and non-foreign points Outside the Continental United States (OCONUS), the new tax law will treat the following moving expenses as non-deductible, and therefore taxable income to the employee if DOI reimburses the employee or a third party on behalf of the employee, for the pre-authorized expense:

- Enroute per diem and transportation expenses for employee and dependent family;
- Residence transaction expense for the sale and purchase of a residence;
- Lease expense related to breaking lease at an old duty station;
- Miscellaneous moving expense allowance;
- Shipment and storage of household goods;
- Extended storage of household goods;
- Transportation of mobile home or boat used as a primary residence in lieu of the transportation of household goods;

- House hunting per diem and transportation of the employee and spouse;
- Temporary quarters subsistence expense;
- Shipment of privately owned vehicle (POV);
- Relocation income tax allowance;
- Property management services; and
- Home marketing incentive payments.

The related payments made to a relocation services company for the home sale purchase of a relocating employee is still treated as a non-taxable payment when made on behalf of the employee.

Relocation Moves CONUS Locations to OCONUS Foreign Locations

For all authorized relocation moves between CONUS and OCONUS foreign locations, the following expenses are non-deductible and will, therefore, be treated as taxable income to the employee, if DOI reimburses the employee or a third party on behalf of the employee for the pre-authorized expense:

- Enroute per diem and transportation expenses for employee and dependent family;
- Miscellaneous moving expense allowance;
- Shipment and storage of household goods;
- Extended storage of household goods;
- Relocation income tax allowance;
- Shipment of a POV; and
- Property management services.

The following relocation payments are still considered deductible and, therefore, are treated as non-taxable payments made to or on behalf of a relocating employee:

- Foreign Transfer Allowances; and
- Temporary Quarters Subsistence Allowances.

Relocation Moves OCONUS Foreign Locations to CONUS Locations

For all authorized relocation moves between OCONUS foreign locations and CONUS locations, the following expenses are non-deductible and will, therefore, be treated as taxable income to the employee if DOI reimburses the employee or a third party on behalf of the employee, for the pre-authorized expense:

- Enroute per diem and transportation expenses for employee and dependent family;
- Miscellaneous moving expense allowance;
- Shipment and storage of household goods;
- Extended storage of household goods;
- Shipment of a POV;
- Relocation income tax allowance;

- Temporary quarters subsistence expense; and
- Residence transaction expense for the sale and purchase of a residence.

Tour Renewal Travel

The following relocation expenses are now considered non-deductible and, therefore, taxable when made to the employee or to a third party on behalf of an employee:

- Transportation for employee and dependent family members; and
- Per diem for the employee

Return from OCONUS Station to Place of Actual Residence for Separation

The following relocation expenses are now considered non-deductible and, therefore, taxable when made to the employee or to a third party on behalf of an employee:

- Transportation for employee and dependent family members;
- Per diem for the employee;
- Transportation and storage of household goods; and
- Shipment of a POV.

Last Move Home for Senior Executive Service Career Appointee Separation

The following relocation expenses are now considered non-deductible and, therefore, taxable when made to the employee or to a third party on behalf of an employee:

- Transportation of employee and dependent family members;
- Per diem for the employee;
- Transportation and temporary storage of household goods;
- Transportation of a mobile home or boat used as a primary residence in lieu of transportation of household goods; and
- Shipment of a POV.

Temporary Change of Station

The following relocation expenses are now considered non-deductible and, therefore, taxable when made to the employee or to a third party on behalf of an employee:

- Enroute per diem and transportation expenses for employee and dependent family;
- Miscellaneous moving expense allowance;
- Shipment and storage of household goods;
- Extended storage of household goods;
- Transportation of mobile home or boat used as a primary residence in lieu of the transportation of household goods;
- House hunting per diem and transportation of the employee and spouse;
- Temporary quarters subsistence expense;

- Relocation income tax allowance;
- Shipment of privately owned vehicle (POV); and
- Property management services

Tour renewal travel should not be processed in ConcurGov. Employees may make reservations for tour renewal with the Travel Management Center or on their own using the Government issued charge card. When processing tour renewal, employees should file claims manually. Bureaus should ensure that tour renewal travel is processed in accordance with account payable best practices and that the expenses are reported as taxable income to the employee.

The DOI Business Integration Office (BIO) is currently configuring the Financial Business Management System (FBMS) Permanent Change of Station module to properly identify all non-deductible expenses for treatment as taxable income. The configuration should be completed by the end of January 2018. Bureaus should continue to pay the relocation expenses and a reconciliation effort will be conducted in March of 2018 to identify taxable relocation payments that were reported as non-taxable and adjust them to be reported as taxable through the payroll process. More information will be forthcoming on this process.

In addition BIO is configuring FBMS to compute the withholding tax allowance rate to 22% of the taxable relocation reimbursements. Because relocating employees are paid relocation expenses through payroll, most relocation expense claims processed in FBMS from December 10, 2017 and onward will be treated as taxable income because the expenses would not be processed in payroll until after January 1, 2018.

The General Services Administration (GSA) will evaluate whether the law authorizing payment of RITA can be used to pay new employees RITA for taxable relocation expense. After GSA completes the evaluation, it will issue further guidance in the CFR detailing the changes on relocation expense taxability and how to pay RITA, if necessary. GSA has committed to completing the work by May 2018.

New employees who are eligible for relocation expense will be adversely affected by the new tax law as new hires are not eligible for RITA reimbursement under the CFR and the expense on the shipment and storage of household goods must now be reported as taxable income. Bureau relocation coordinators must counsel new and transferring employees on the new tax law and the impact it will have on relocation expenses. If employees request tax guidance or advice, coordinators should counsel the employee on how DOI will report the expenses and describe the RITA payments that transferred employees will receive for the additional tax income. However, as always the coordinators should not offer advice to the employee on how to file their taxes with the Internal Revenue Service. The employees should be counselled to seek the advice of a certified tax professional, if they have significant questions on how relocation expenses will affect tax filings.

If you have questions regarding this memorandum, please contact Robert Smith, in the Office of Financial Management at (202) 208-5684 or via e-mail at Robert_Smith@ios.doi.gov.