

TO: Travel Expense Report Processors

FROM: Sandra Goodwin

Manager, Tax Reporting

RE: Moving Expenses

Due to IRS regulations certain types of employee moving expense reimbursements and all reimbursements for expenses related to an accompanying spouse or companion to employees traveling on business are considered income subject to Federal and State income and FICA tax withholdings. The implication for the employee is that reimbursements for expenses of this type will be reduced by income and FICA tax withholdings and reported as income on their W-2. The purpose of this memo and the enclosed attachments is to outline procedures for reporting these expenses so that reimbursements can be issued and reported in compliance with IRS regulations.

Taxable moving expense and spousal travel expense reimbursements can no longer be paid with an online check request (CR) or travel report (TR). These reimbursements will have to be processed manually through the payroll system by routing the documents through the Tax Department. If a reimbursement to an employee is taxable and subject to withholding and reporting (see the attached list of expenses) it is processed with the enclosed forms. If expenses are nontaxable complete and submit the form, but payments will be processed on a CR or TR. Procedures, illustrated examples and sample reports have been enclosed for your review.

These forms are also required for taxable payments made directly to third parties (see the attached list of expenses) on behalf of the employee, as they are subject to the same withholding and reporting treatment as reimbursements. These payments will be added to the employees' gross wages and the applicable taxes will be withheld from their next paycheck. Please see the payroll explanation and examples enclosed for more details. As always, an appointment is required to process a payroll check.

For most moves, it is likely the employee will incur taxable and non-taxable expense reimbursements. These should be divided accordingly and processed as payroll **and** as an online CR or TR document, respectively.

It is essential that reimbursements and third party payments of taxable expenses be processed through the tax department. If you have any questions as you proceed please call the Tax Accountant of the Tax Department for moving expense assistance 93(5-4392) or the Accounts Payable Travel Desk 93(5-5705).

Thank you for your assistance and cooperation in helping us to accurately report these payments.

Instructions for Travel Expenses/Moving Expenses Only Form

The travel expense/moving only form should be used for reimbursing all expenses associated with moving a new employee. These expenses are outlined on Exhibit A. According to IRS regulations the nontaxable payments that can be made for moving a new employee are limited. **This does not mean the University cannot pay these expenses. It simply means many of these expense reimbursements are taxable to the employee.** It also means these expenses will need to be documented differently, and those differences are addressed below.

Moving Expenses Only Form

Blank 1 : The new employee's SSN and employee ID#

Blank 2: The new employee's name

Blank 3: The start and end dates of the move or househunting trip

Blank 4 : A brief description of the purpose (e.g., househunting, moving of household goods, etc.)

Blank 5 : Enter the online CR or TR document number for the nontaxable moving expense reimbursement that corresponds to this paper document. (Note: househunting expenses will not have an online document number unless expenses are paid to a third party.)

Column 6: Nontaxable expenses directly relating to this move.

Please refer to Exhibit A.

All payments directly related to the move, except meals, are nontaxable and should be reported in *Column 6*. DIRECTLY RELATED to the move means payment for moving of household goods and all family members over a distance of more than 50 miles from existing residence to St. Louis to begin work. These payments are the first two types of expenses listed on Exhibit A. See "Expenses not subject to withholding (non-taxable)" on Exhibit A. These DIRECTLY RELATED expenses are coded as budget object (BUOB) 3552 for moving household goods and BUOB 3652 for transportation and lodging of family members.

Column 7: Taxable expenses relating to this move.

Please refer to Exhibit A.

All payments for meals, storage, temporary living expenses (hotels, except for one-day stay at time of move), househunting, etc. should be recorded in *Column 7*. These payments are the final six types of expenses labeled “Expenses subject to reporting and withholding (taxable)” on Exhibit A. These payments will be recorded on this paper document ONLY. Do NOT include these payments in the online document. Refer to Exhibit B to see examples of how these types of payments will be processed. The total of this column should be placed on *Blank 9* if the payment is to the employee and on *Blank 8* if the payment is to OTHER THAN employee (e.g., hotels, airlines, etc.)

Instructions for Travel Expenses/Moving Expenses Only Form

Blank 8, 9, 10 and 11 : The applicable department, account and fund numbers.

Blank 12 : Name, phone number, box of person completing this form.

The Tax Department will enter the taxable and nontaxable amounts from Columns 6 and 7 in the applicable blanks in the ‘Payroll Information’ box. The Tax Department will review the related CRs and TRs and notify the departments of any changes that need to be made.

Reportable Moving Expenses on Payroll

Reportable moving expenses or spousal travel expenses that must be added to an employee’s gross wages can be divided into general types:

- amounts that reimburse the employee for out-of-pocket expenses and
- payments to third parties such as hotels, airlines, etc.

These must be documented separately on a Moving Expense Form. Both types are fully taxable to the employee but will be treated differently by the payroll department.

- **To reimburse expenses that have already been paid for by the employee:**
- The department’s account will be charged using the applicable budget object code and a check will be issued to the employee.

- Payroll will enter the taxable amount and department number listed on the Moving Expense form on the biweekly/monthly payroll. The employee will receive a check for the amount listed less all taxes due. See Example 1 on Exhibit B.
- To pay an employee the employee must have an EMPLID # in HRMS. A biweekly or monthly appointment must also be entered online.
- **Adding payment to third parties to an employee's gross wages:**
 - Departments will pay the third party (airlines, hotels, etc.) when due, charging the appropriate budget/object code and noting the employee's name. Enter detail on individual Moving Expense form. The Tax Department will report the taxable portions of these direct payments to the Payroll department.
 - Payroll will take a deduction for the taxes on the third party payment from the employee's next paycheck.
 - If the employee's gross wages do not allow for the full deduction, the balance will be deducted on the next check the employee receives.

STIPEND RECIPIENTS

There are special rules for graduate students, postdoctoral fellows and others who are paid a stipend ("Stipend Recipients") and also receive moving expense assistance from the University.

Stipend Recipients must also provide a service to the University for which they are compensated as an employee in order to receive nontaxable moving expense assistance. Stipend Recipients can receive moving expense assistance directly or through third party moving expense payments, but these reimbursements are taxable income to the individual.

In order for a Stipend Recipient to receive non-taxable moving expense assistance the student/fellow **must** have a paid secondary job in the HRMS system. The reimbursement will be processed as a normal moving expense document and will report on the individual's W-2. Having a secondary job does not exempt the individual from taxation for amounts normally considered taxable.

Without a secondary job assignment the reimbursement will become 100% taxable income, including all third party payments made on behalf of the individual (SEE EXHIBIT C) and will be reported on the individual's stipend letter.

Stipend Recipients without a secondary job receiving direct reimbursement will receive an on-line check through A/P for reimbursements. Payments made directly or to third party vendors will be reported to them at year-end with their taxable stipend payments.

When completing the Moving Expense Form Only please note in, Blank 13, the Supplemental Information section whether the Stipend Recipient has a secondary job or not.

Exhibit A

Employee Relocation Expenses

The following is a list of moving expenses generally incurred by employees during relocation. These expenses are classified according to withholding and reporting treatment to assist you in completing moving expense forms.

Expenses not subject to withholding (non-taxable)

- Transportation of household goods (*BUOB 35-52*)
- Payments made to professional movers
- Payments reimbursing employee for renting U-Haul, hiring movers, gasoline, packing materials, etc.
- Expenses of moving from old to new home (*BUOB 36-52*)
- Travel expenses for employee and/or family, including airfare, mileage reimbursement for driving personal vehicle (.12 cents a mile), hotel (all hotel expenses while traveling to St. Louis but only one day stay in a St. Louis hotel is nontaxable, any additional days are taxable), U-Haul Truck, etc.
- 30 days of storage expense after move completed.

Expenses subject to reporting & withholding (taxable) (SEE EXHIBIT B)

- All meals (relocation & househunting) (*BUOB 3676*)
- All expenses related to househunting trips (*BUOB 3676*)
- Temporary Storage (after 30 days) (*BUOB 3676*)

4. Temporary Living Quarters (*BUOB 3593*)

- Qualified home purchase (University pays portion of closing costs on either home.) (*BUOB 3593*)
- Qualified lease cost (*BUOB 3593*)

Note: Distance test for a qualified move is 50 miles from your previous home to your new job

Exhibit B

Example 1

Employee Z has incurred the following expenses on a househunting trip to St. Louis after accepting an administrative position with department 5555. All arrangements were made by her and charged to her credit cards.

Hotel \$125.00

Airfare 225.00
Taxi Fare 25.00
Meals 60.00
Rental Car 150.00
Total \$ 585.00

She submitted receipts and completed W4 and I9 forms before returning home. The department personnel completed the Moving Expense Only form, forwarded it to the travel desk in accounts payable, and entered an appointment on-line so the above expenses could be reimbursed.

After the tax department received the approved Moving Expense Only form, the payroll department entered a paycheck for \$585.00. Employee Z's check would be:

Gross Pay 585.00
Federal Taxes 163.80
State Taxes 17.55
SS & Medicare Taxes 44.75
Net Check to employee 358.90

Department account 12-5555-3676 would be charged for \$585.00 and 12-5555 for \$44.75 (SS & Medicare Taxes).

PLEASE NOTE: *HOUSEHUNTING EXPENSES AND RELOCATION EXPENSES CAN NOT BE REIMBURSED UNTIL THE INDIVIDUAL HAS ACTUALLY STARTED EMPLOYMENT AT WASHINGTON UNIVERSITY .*

Example 2

Employee X accepts a position at Washington University for July 2002 with salary starting in July 2002 and is allowed one househunting trip to St. Louis . For the

househunting trip, the department buys the airline ticket in January 2002 for a trip in March (\$700.00) and makes arrangements for the new employee and spouse to stay at the Holiday Inn with the bill to be sent directly to Washington University (\$400.00). Employee X documents out-of-pocket expenses of \$75.00 for meals and additional transportation. Total expenses are \$1175.00

- Employee X should fill out a W-4 and I-9 Form as soon as possible after being hired.

- The department completes the Moving Expense Only form including expenses paid directly by the department.

- The following transactions occur:

1. The University pays the bill to Airlines and Holiday Inn when due – 12-3333-3552

2. Appointment put on-line by department.

3. Payroll enters biweekly document:

- \$ 75.00 - charged to department THEN reimbursed AND taxed on employee's first paycheck.

The \$1,100.00 taxable third party payments will be taxed and added to gross income and Federal, State, FICA & Medicare taxes will be withheld from employee's paycheck.

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Example 3

Employee B accepts a position at Washington University for July 2002. The employee buys the airline ticket for the entire family totaling \$2,000.00 and makes arrangements for the one night hotel stay in St. Louis upon arrival for \$339.00. Employee B documents out-of-pocket expenses of \$115.00 for meals. Total expenses paid for by the employee are \$2,454.00. The University paid \$3,550.00 directly to the United Van Lines for transportation of the employee's household goods and vehicles. This third party payment will be entered on the Moving Expense Only form in Column 6 with the applicable check request number or procard number.

- Employee B should fill out a W-4 and I-9 Form as soon as possible after being hired.
- The department completes the Moving Expense Only form.
- The following transactions occur:
 1. Appointment is put on-line by department.
 2. The department pays the moving company when invoiced.
 3. The employee will receive an A/P check for \$2,339.00 charged to – 12-3333-3652
 4. Payroll enters biweekly/monthly document:
 - \$ 115.00 - charged to department THEN reimbursed AND taxed on employee's paycheck.

The \$115.00 meal reimbursement will be taxed and added to gross income and Federal, State, FICA & Medicare taxes will be withheld from employee's paycheck.

PLEASE NOTE: *HOUSEHUNTING EXPENSES AND RELOCATION EXPENSES CAN NOT BE REIMBURSED UNTIL THE INDIVIDUAL HAS ACTUALLY STARTED EMPLOYMENT AT WASHINGTON UNIVERSITY .*

Exhibit C

Example 1

Stipend Recipient with **no** secondary job has incurred the following expenses on a moving trip to St. Louis . All arrangements were made by her and charged to her credit cards.

Hotel \$125.00

Airfare 225.00

Taxi Fare 25.00

Meals 60.00

Rental Car 150.00

Moving Van Rental 535.00

Total \$1120.00

She submitted receipts. The department personnel completed the Moving Expense Only form stating that the Stipend Recipient has no secondary job, then forwarded it to the travel desk in accounts payable so the above expenses could be reimbursed.

After the Tax Department approves the Moving Expense Only form, an A/P check for \$1120.00 will be issued. This payment will be reported on a stipend letter at year-end as taxable income.

Example 2

Stipend Recipient with a secondary job has incurred the following expenses on a moving trip to St. Louis . The department at Washington University made all arrangements and payments.

. Hotel \$125.00

Airfare 225.00

Moving Van Rental 535.00

Total \$ 885.00

Expenses paid by Stipend Recipient:

Meals \$60.00

Taxi Fare 25.00

Total \$85.00

The department personnel completed the Moving Expense Only form stating that the employee has a secondary job and referencing the previously paid check request along with expenses paid by employee. The form is forwarded to A/P for reimbursement.

After the Tax Department approves the Moving Expense Only form, an A/P check is processed for the \$25.00. The Payroll Department will add the \$60.00 to the Stipend Recipient's gross wages and withhold the applicable taxes. This payment will be reported on the Stipend Recipient's W-2 form at the end of the year.