

RELOCATION EXPENSE GUIDE

(updated 11-1-2015)

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I. GENERAL RULES FOR RELOCATION EXPENSES

- Any expenses a department agrees to pay and for which the appropriate departmental approvals have been obtained are *allowable* under tax rules.
- Relocation expenses may be paid to third-party service providers via PO, CR or Procurement Card or reimbursed directly to the individual.
- Relocation expenses include **moving expenses** and **house hunting expenses**. They do not include recruiting expenses. See **Definitions** section below.
- Under the IRS guidelines, you may be reimbursed by your employer for moving expenses, some of which are nontaxable expenses and some of which are taxable. House hunting expenses are always taxable.
 - The reimbursements you receive for nontaxable expenses are paid to you via Accounts payable.
 - The reimbursements you receive for the taxable expenses and any allowances for miscellaneous or unspecified expenses are included in your taxable income.
- Under University guidelines:
 - Expenses that are not taxable will be reimbursed to the recipient without tax consequences.
 - Expenses that *may or may not be* taxable will be reimbursed to the recipient as taxable income.
 - It is up to the recipient to determine whether the expenses qualify as nontaxable moving expenses that may be deducted on the recipient's US tax return. Refer to IRS Publication 521 and Form 3903 and Instructions for additional information when completing your US tax return.
 - Expenses that are taxable will be reimbursed to the recipient and reported as taxable income.
 - "Nontaxable expenses" are those that are *specifically listed* in this guide. Only these expenses will be reimbursed or paid directly by the university on behalf of the employee without tax consequence. All other expenses reimbursed to or paid on behalf of the individual will be treated as taxable income to the individual.
 - At the hiring department's discretion and cost, taxes owed on a taxable reimbursement of expenses under this guide (including taxable moving expenses, taxable recruiting

expenses, and house hunting expenses) may be reimbursed to the employee. Reimbursement of taxes owed is also known as “grossing up.” Contact the Payroll department for assistance with the calculation of the gross up amount.

II. DEFINITIONS

- **Moving expenses**
 - Moving expenses include all expenses incurred to physically move all household objects, including plants and pets, from the old home to the new home.
 - Moving expenses also include all expenses incurred for all household members to physically move from the old home to the new home.
 - Household members include family members who were residents of the old home that are also moving to the new home.
 - Moving expenses may be nontaxable or taxable. See **Nontaxable and Taxable Moving Expenses** for guidance regarding taxability of expenses.
- **House hunting expenses**
 - House hunting expenses include all expenses related to visiting the St. Louis area after an offer of employment has been accepted for purposes of searching for a residence, familiarizing with the area, visiting schools, et al.
 - House hunting expenses do not include business travel.
 - Business travel includes visits to the university after an offer of employment has been accepted for purposes of meeting with university staff, setting up a laboratory or office, or other business-related activities.
 - Business travel is only for future employees. When the employee is accompanied by a spouse or other family members, the portion of travel expenses incurred for the family will be treated as house hunting expenses.
 - Any reimbursement of house hunting expenses is always taxable.
- **Recruiting expenses**
 - Recruiting expenses include travel expenses incurred to bring job candidates to the university for interviews.
 - Recruiting expenses include travel expenses incurred by the candidate that are directly related to the interview itinerary.
 - Recruiting expenses include travel expenses incurred by the candidate’s accompanying spouse to the extent that the activities of the spouse are directly related to the interview itinerary.
 - Recruiting expenses do not include personal expenses.
 - Examples of personal expenses include, but are not limited to:
 - Travel expenses of additional family members (other than the spouse);
 - Sightseeing expenses;
 - Hotel accommodations for periods longer than reasonably necessary for the interview itinerary.

- Recruiting expenses do not include expenses incurred once a candidate has accepted an offer of employment, regardless of start date.
 - Expenses incurred once a candidate has accepted an offer of employment must be classified and substantiated as either:
 1. Moving expenses;
 2. House hunting expenses; or
 3. Business expenses.
- Reimbursements of recruiting expenses incurred in accordance with the guidelines above are nontaxable expenses.
- **ALERT!** Nontaxable recruiting trips will generally be limited to two (2) per candidate as per IRS guidelines. If the department believes that additional recruitment visits may be required, please contact the Tax Department prior to making additional arrangements as exceptions to the rule must be well-documented to be supportable under IRS examination.

III. QUALIFYING FOR NONTAXABLE MOVING EXPENSES

- Under IRS guidelines, to qualify for nontaxable reimbursement or direct payment of moving expenses:
 - The **new job** must be **at least 50 miles** farther from the former home than the old job. Generally, the employee must be **employed full-time** in the new position **for 39 weeks during the first 12 months** after arriving in the general area of the University.
- Under University guidelines, to qualify for nontaxable reimbursement or direct payment of moving expenses:
 1. **The individual must be a new full-time employee.** The relocation must be for a full-time employment position. All reimbursed or direct pay moving expenses for fellows, stipend recipients, students, part-time employees, and temporary employees will be treated as taxable income. All such payments to or for employees will be reported to payroll for inclusion on Form W-2. Students, fellows, stipend recipients who do not have an active pay stream in payroll will have the relocation expenses reported on a Form 1099-MISC, 1042-S or a stipend letter.
 2. **The move must meet the distance test.** The employee's new job at Washington University must be at least 50 miles farther from the former home than the old job. Example: if your old main job location was 3 miles from your former home, your Washington University job location must be at least 53 miles from that former home.
 3. **The move must meet the time test.** If you are an employee, you must work full time for at least 39 weeks during the first 12 months after you arrive in the general area of your Washington University job location.
 - Your offer of employment must be for a minimum of one calendar year/one academic year (39 weeks). (8/15 – 5/15 is 39 weeks.)

- If you deduct expenses or receive a nontaxable reimbursement and later do not meet this test, you must either file an amended tax return or report your moving expense deduction as other income.

IV. NONTAXABLE AND TAXABLE MOVING EXPENSES

- Under IRS guidelines (from IRS Publication 521):
 - For expenses to be nontaxable, they must be reasonable for the circumstances of your move. For example, the cost of traveling from your former home to your new one should be by the shortest, most direct route available by conventional transportation. If during your trip to your new home, you stop over for more than one consecutive night as deemed reasonable for a long commute, or make side trips for sightseeing, the additional expenses for your stopover or side trips are taxable as moving expenses.
 - The IRS provides that nontaxable items include only the following:
 - Moving your household goods and personal effects (including in-transit or foreign-move storage expenses), and
 - Traveling (including lodging but not meals) to your new home.
 - You cannot deduct any expenses for meals.
 - Items that are “unreasonable” or do not meet the definition of moving household goods or traveling to the new home are taxable, whether reimbursed to you or paid on your behalf. Although the following list is not exhaustive, the IRS does provide that you specifically **cannot deduct the following items** as moving expenses:
 - Any part of the purchase price of your new home.
 - Car tags.
 - Driver's license.
 - Expenses of buying or selling a home (including closing costs, mortgage fees, and points).
 - Expenses of entering into or breaking a lease.
 - Home improvements to help sell your home.
 - Loss on the sale of your home.
 - Losses from disposing of memberships in clubs.
 - Meals.
 - Mortgage penalties.
 - Pre-move house hunting expenses.
 - Real estate taxes.
 - Refitting of carpet and draperies.
 - Return trips to your former residence.
 - Security deposits (including any given up due to the move).
 - Storage charges except those incurred in transit and for foreign moves.
- Under University guidelines:
 - **Nontaxable expenses**
Only the items listed below substantiated by original receipts will be reimbursed without tax consequence to individuals who qualify for nontaxable moving expenses.

All other moving expenses reimbursed to or paid on behalf of the individual will be treated as taxable income and paid through Payroll.

- Cost of packing, crating, and transporting household goods from former residence to new residence. (Tips are nonqualified moving expenses and cannot be deducted from income; therefore, all reimbursements for tips will be treated as taxable income and paid through Payroll.)
- Cost of moving van rental.
 - There are no reimbursements based on mileage for moving van rentals. Only rental costs and actual gas expenses per receipts are reimbursable.
- Cost of connecting and disconnecting utilities.
- Cost of shipping personal vehicles.
- Cost of relocation of family pets.
- Cost of storage of household goods during any consecutive period after the goods are moved from the old residence and prior to delivery at the new residence, not to exceed thirty (30) days.
- Cost of insuring household goods while in transit or in storage, not to exceed thirty (30) days.
- Cost of transportation for the employee from the old home to the new home.
- Cost of transportation for the members of the employee's household from the old home to the new home.
- When traveling by employee's car, nontaxable expenses will be the standard mileage rate for moving expense purposes multiplied by the number of miles from the old home to the new by the shortest, most direct route available.
 - See the MILEAGE RATES [[link to mileage rate page](#)] page for additional years.
- When traveling by rental car, only actual expenses, such as the rental fees, gas, parking fees, and tolls are nontaxable. There is no mileage rate for rental vehicles.

NOTE: *The cost of travel between the old home and the new home must be calculated by using the shortest of the more commonly traveled routes between the two points. The employee's actual stated mileage will be reimbursed provided that the stated mileage reasonably compares to MapQuest, Google Maps, or similar mileage calculator programs.*

- Cost of lodging for the employee and members of the employee's household while traveling from the old home to the new home as defined below.
 - Lodging includes one night in the vicinity of the old home within one (1) day after old home is no longer suitable for occupancy (ie. the utilities have been turned off, furnishings have been removed, etc.).
 - Overnight lodging in transit from old home to new home may not exceed one (1) night in a single location.
 - NOTE: For each 8 hours of travel time, one night of lodging will be reimbursed without tax consequences. The mileage calculator program used to determine the shortest of the more commonly traveled routes

between two points (i.e., MapQuest, Google Maps, et al.) will calculate the total time a trip will take.

- Lodging includes one night in the vicinity of the new home within one (1) day after arrival in the new location.

NOTE: *Members of the household are not required to travel together or at the same time from the old home to the new home; however, only one trip per person is nontaxable.*

- **Taxable expenses**

Specific expenses reimbursed to the individual or paid by the university directly to a vendor that will be treated as taxable income include, but are not limited to:

- All house-hunting expenses.
 - All moving expenses incurred by non-full-time employees: including part-time employees, stipend recipients, fellows, students, and temporary employees.
 - Meals.
 - Per diem allowances.
 - Any expense for which a receipt is not provided, including those that would otherwise be excludable from tax.
 - Items specifically listed as taxable in IRS Publication 521. See list above [link to list in text].
- All other moving expenses not specifically listed as nontaxable or taxable above that are reimbursed to or paid on behalf of the individual will be treated as taxable income and paid through Payroll.
 - Those expenses *may or may not be* nontaxable to the individual.
 - It will be up to the recipient to determine whether the expenses qualify as nontaxable moving expenses that may be deducted on the recipient's US tax return. Refer to IRS Publication 521 and Form 3903 and Instructions for additional information when completing your US tax return.

V. PROCEDURES FOR RELOCATION EXPENSES

General procedures:

- All relocation expenses, whether reimbursed to the employee or paid directly to vendors, must be submitted to the Tax Department on the appropriate relocation form within 90 days of the individual's appointment in HRMS.
 - Failure to report timely will result in nontaxable expenses being reported as taxable expenses that must be paid via Payroll. The employee can complete IRS Form 3903 to determine whether the expenses qualify as nontaxable moving expenses that may be deducted on the recipient's US tax return.
- Under IRS guidelines, relocation expenses are nontaxable in the year in which they were paid or incurred. Therefore, it is vital that all relocation expenses reimbursed or paid directly to a vendor on behalf of an individual be processed in the calendar year in which the move occurred.
 - Failure to report relocation expenses in the proper calendar year could result in the individual being required to file amended tax returns.

- Direct payments made to vendors on behalf of employees that are taxable must be reported to Payroll for inclusion on the employee's Form W-2. This means that there will be additional withholding taxes deducted from the employee's paycheck.
 - Reporting these payments as soon as possible will allow the withholding to be spread over several pay periods if needed.
- Only copies of receipts must be submitted with the relocation form for taxable expenses. Original receipts for taxable items should be retained by the individual that incurred the expense. Any original receipts sent to the Tax Department for taxable payments will be returned to the department.
- Original receipts must be submitted with the relocation form for nontaxable expenses.
 - Failure to provide original receipts for expenses that would otherwise be nontaxable will result in expenses being reclassified as taxable expenses that must be paid via Payroll. The employee can complete IRS Form 3903 to determine whether the expenses qualify as nontaxable moving expenses that may be deducted on the recipient's US tax return.
 - Exception approval: The IRS does not provide exceptions for lack of receipts. Therefore, exception approval is no longer required for relocation expenses.
- Relocation expenses for any one individual may be submitted on multiple forms.
 - It is the hiring/paying department's responsibility to track total relocation package costs.

Procedures for nontaxable and taxable payments:

- Nontaxable payments.
 - **Reimbursements:** The reimbursement request must be made on a Moving Expense Form and must be submitted on a Travel Report in FIS. Original receipts are required for reimbursement of nontaxable expenses and must be submitted to the Tax Department with the Moving Expense Form.
 - Any expenses included on the Moving Expense Form as nontaxable that are not specifically identified in this procedure as nontaxable must be moved from the nontaxable to the taxable column of the Moving Expense Form, removed from the TR, and paid via Payroll.
 - Any expenses included on the Moving Expense Form as nontaxable that are deemed taxable as determined by the WU Tax Department must be moved from the nontaxable to the taxable column of the Moving Expense Form, removed from the TR, and paid via Payroll. Original receipts for such expenses will be returned to the department and should be given back to the individual.
 - **Direct payments to vendors:** Nontaxable payments made to vendors on behalf on an employee are not reportable on Form W-2 or Form 1099-MISC for tax purposes; however, they do need to be reported to the Tax Department on a Moving Expense Form within 60 days of the individual's appointment date in HRMS.
 - **ALERT!** Without receiving a Moving Expense form indicating whether the payment is taxable or nontaxable, relocation expenses that have been identified by the Tax Department in FIS paid directly to vendors will be treated as taxable and reported to Payroll. This means that the employee will be unaware that additional taxes will be

deducted from the next paycheck. To avoid this, be sure to submit a timely moving expense report for the expenses incurred to the Tax Department.

- Taxable payments.
 - **House hunting expenses:** All house hunting expenses, whether reimbursed to the individual or paid directly to a vendor on behalf of the individual, must be reported to the Tax Department on a House Hunting Expenses Only form. The form submitted to the Tax Department must be supported by copies of receipts (do not send original receipts) and must have the appropriate approval signatures. All amounts reported on House Hunting Expenses Only forms are taxable income to the individual and will be reported for tax purposes as follows:
 - If the individual is an employee, all amounts will be reported on the individual's Form W-2, boxes 1, 3, and 5.
 - If the individual is a non-employee, all amounts will be reported on a Form 1099-MISC.
 - Receipts
 - Only copies of receipts must be submitted with the relocation form for taxable expenses. Original receipts for taxable items should be retained by the individual that incurred the expense. Any original receipts sent to the Tax Department for taxable payments will be returned to the department.
 - **Moving expense reimbursements:** The reimbursement request must be made in the taxable column of the Moving Expense Form. All amounts reported as taxable on Moving Expense Forms are taxable income to the individual and will be reported for tax purposes as follows:
 - If the individual is an employee, all amounts will be reported on the individual's Form W-2, boxes 1, 3, and 5.
 - If the individual is a non-employee, all amounts will be reported on a Form 1099-MISC.
 - Receipts
 - Only copies of receipts must be submitted with the relocation form for taxable expenses. Original receipts for taxable items should be retained by the individual that incurred the expense. Any original receipts sent to the Tax Department for taxable payments will be returned to the department.
 - **Direct payments to vendors for moving expense payments:** Taxable payments made directly to a vendor on behalf of the individual must be reported in the taxable column of the Moving Expense Form. All taxable amounts reported on Moving Expense Forms will be reported for tax purposes as follows:
 - If the individual is an employee, all amounts will be reported on the individual's Form W-2, boxes 1, 3, and 5.
 - Please be aware that payments made directly to vendors that are reported to Payroll are subject to payroll tax withholding. Reporting these payments as

soon as possible will allow the withholding to be spread over several pay periods if needed.

- If the individual is a non-employee, all amounts will be reported on a Form 1099-MISC.
- **ALERT!** Direct payments to vendors on an individual's behalf must be reported on a Moving Expense form within 60 days of the individual's appointment date in HRMS. Payments identified by the Tax Department in FIS as those made to a vendor on behalf of an employee for relocation expenses will be reported to Payroll after 60 days without receipt of a Moving Expense form. This means that the employee will be unaware that additional taxes will be deducted from the next paycheck. To avoid this, be sure to submit a timely moving expense report for the expenses incurred to the Tax Department.

VI. TIMING OF MOVING EXPENSES FOR TAX PURPOSES

- Best practice: As a matter of best practice, reimbursement or payments to third parties of taxable relocation expenses for new employees before the individual is hired should be discouraged. The method and effect of tax reporting is dependent upon whether the individual joins WU. Therefore, reimbursements should not be made until the individual is an active employee.
 - **Note that reimbursements prior to an individual's start date are unallowable on a sponsored fund.**
- In the event that reimbursements are made prior to the individual's start date and the individual does not join WU, the expense will still be borne by the paying department. If desired, it will be up to the paying department to attempt to recover payments made to or on behalf of the individual. All relocation expenses (whether initially determined to be taxable or nontaxable) paid to or on behalf of the individual will be reported on Form 1099-MISC. It will be the responsibility of the individual to determine whether any amount so reported is deductible on the individual's tax return.
- Reimbursements to full-time, part-time, and temporary employees
 - Moving expenses are reportable on an employee's Form W-2 whether or not taxable.
 - Taxable reimbursements must be reported to Payroll for inclusion on the employee's Form W-2 and initial paycheck. Payroll tax withholding is applied to the amount of the expense included in the initial paycheck. When reimbursements are not paid at the time of the withholding, the excess withholding can significantly reduce the individual's paycheck.
 - **ALERT!** Reimbursements or payments on behalf of part-time and temporary employees are *always* taxable.
- Reimbursements to non-employees (fellows, stipend recipients, students)
 - All relocation expenses reimbursed to or paid directly to a vendor on behalf of the individual are taxable income and are reported on a Form 1099-MISC, 1042-S, or stipend letter. The method of reporting depends upon the individual's role at WU.

- All such payments are reported as taxable income; however, method of reporting is also dependent upon whether the individual joins WU. As noted above, reimbursements should be contingent upon the individual joining WU and, thus, as a matter of best practice, should be delayed until the start date.
- **Waiver for Advance Payment:** Paying relocation expenses prior to appointment date, whether reimbursed or paid to a vendor on behalf of the individual, affects the type of tax reporting required and can result in unanticipated tax withholding. Payments prior to the appointment date should be discouraged, but when necessary, will require the submission of a Waiver for Payment Prior to Active Start Date form signed by the paying department as well as the individual, acknowledging the possible reporting and withholding requirements.
 - Advance reimbursements to full-time, part-time, and temporary employees
 - **Nontaxable payments**
In the event that individual does not commence employment, all expenses paid to and on behalf of the individual become taxable and will be reported on a Form 1099-MISC.
 - **Taxable payments**
In the event that a taxable reimbursement or direct payment to a vendor on behalf of the employee is made prior to employment, no withholding is possible at the time of payment. Instead, withholding is applied when the expense is reported to Payroll after active employment has begun. The timing difference between the payment and the withholding results in excess withholding from a “regular” paycheck.
 - Advance reimbursements to non-employees (fellows, stipend recipients, students)
 - All reimbursements to or payments made to vendors on behalf of the individual are reported as taxable income; however, method of reporting is also dependent upon whether the individual joins WU.
 - **Helpful Hint!** It is strongly encouraged that the Waiver form also be used for payments to or for individuals in connection with house hunting or recruitment activities. The Waiver will provide the individual with the relevant disclosures regarding withholding once employment begins.