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To: Human Resources Officers
Benefits Officers
Reference: TECHNICAL LETTER
HR/Salary 2019-01
From: Beth Ryan 
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Human Resources Management
Subject: Tax Information Changes to Moving and Relocation Expenses

Summary:

The purpose of this technical letter is to advise campuses of information regarding tax changes to moving and relocation expenses. The Tax Cuts and Jobs Act (TCJA), Public Law No. 115-97 signed into law on December 22, 2017 suspended the moving expense deduction and exclusion from income of qualified moving expenses. As of January 1, 2018, all moving expenses paid or reimbursed by the CSU with respect to expenses incurred on or after January 1, 2018 through December 31, 2025, are taxable as wages to the recipient for federal income tax purposes. However, California tax law does not conform to the federal suspension of the exclusion from income of qualified moving expense reimbursements. Accordingly, California continues to apply the federal rule, which treats “qualified” moving/relocation expense reimbursements as nontaxable. As a result, “qualified” reimbursements remain excludable from California wage reporting, Personal Income Tax (PIT), and State Disability Income (SDI) withholding. Qualified moving expense reimbursements will remain nontaxable for California state tax, and taxable for federal tax, for tax years 2018-2025, or until state or federal law changes.

In response to the federal income tax changes, the State Controller’s Office issued a series of Payroll Letters in 2018 providing guidance to State Agencies ([SCO Payroll Letter #18-003](#), [SCO Payroll Letter #18-015](#) and [SCO Payroll Letter #18-021](#)). This technical letter reflects a summary of that guidance.

The federal standard mileage rate for moving expenses was increased from \$.18 per mile to \$.20 per mile, effective January 1, 2019.

Action Item(s): Communicate change to the taxability of moving and relocation expenses effective January 1, 2018.

Distribution:

Vice Chancellor, Human Resources
Vice Presidents, Administration
Payroll Managers
Accounting Officers

Those individuals that administer moving and relocation benefits should review the remainder of this technical letter for additional information. Campus moving and relocation procedures may need to be updated as a result of this change.

Communicate change to the new moving mileage rate effective January 1, 2019.

Affected Employee Group(s)/Unit(s):

All CSU employees who are authorized to be reimbursed for moving and relocation.

Details:

This technical letter has been written to update tax information relating to moving and relocation expenses. The tax reform bill (H.R. 1, P.L. 115-97), which was enacted on December 22, 2017, included a change to the taxability of moving and relocation expenses. As of January 1, 2018 through December 31, 2025, all moving expenses paid or reimbursed by the CSU are taxable as wages to the recipient **for federal income tax purposes only**. Specifically, the exclusion from gross income in [Internal Revenue Code \(IRC\) 217](#), as well as the fringe benefit rule in [132\(g\)](#), is suspended for 8 years (2018-2025) for federal income tax purposes.

The state tax withholding on these payments has not changed. Refer to State Controller's Office [SCO Payroll Letter #18-015](#) for instructions on how to report payments for qualified moving/relocation expenses and [Payroll Letter #18-021](#) for instructions on how to make corrections on previously submitted moving/relocation expenses and for reporting nonqualified state moving expenses after October 10, 2018. Questions can also be sent to PPSDtaxsupsect@sco.ca.gov.

Current general guidelines for determining the taxability of moving and relocation expenses in regards to state tax withholding only are below. These guidelines have not changed.

1. "Qualified moving expenses" are reasonable costs of moving household goods and personal effects from the former to the new residence, and travel and lodging costs incurred in the related move. Qualified moving expenses are not taxable income for California if all the following criteria are met:

- ◆ The federal time test is satisfied. To meet the federal time requirement, an employee must work full-time for 39 weeks during the 12 months immediately following the move.
- ◆ The federal distance test is satisfied. To meet the distance test, an employee's new headquarters must be at least 50 miles farther from the employee's former residence compared to the distance between the former residence and the old headquarters.
- ◆ The Internal Revenue Service requirements of an accountable plan are satisfied. To meet accountable plan requirements, the employer's reimbursement plan must meet three requirements: 1) business connection, 2) substantiation, and 3) return of excess, unsubstantiated advance amounts within reasonable timeframes. The CSU's current procedures meet the accountable plan requirements.

2. "Nonqualified moving expenses" are those costs that do not meet the Internal Revenue Service's definition of qualified expenses and are, therefore, reportable and taxable as income in California. The following moving and relocation expenses incurred, if reimbursed, will be reportable as taxable income in California:

- ◆ Meals connected with the move;
- ◆ Pre-move house hunting trips;
- ◆ Temporary living expenses;
- ◆ Sales or purchase of a residence;
- ◆ Leases, unexpired or new;
- ◆ Storage more than 30 days after moving into residence;
- ◆ Mileage reimbursement in excess of the federal moving expense mileage rate; and
- ◆ Moving expenses that do not meet the time or distance tests.

General Information

Additional and more specific information on the new law regarding taxation of all employer-paid moving costs will be available in the next update of the SCO Payroll Procedures Manual (PPM). Additionally, an update to [HR 2018-07](#) will be forthcoming.

Please advise employees to seek tax advice from their personal income tax advisors regarding the potential impact of moving and relocation benefits as taxable income.

This technical letter has no impact on the CMS Baseline.

Questions regarding this technical letter may be directed to Human Resources Management at (562) 951-4411. This document is available on the Human Resources Management's Website at: <https://cyou.calstate.edu/Policies/HRPolicies/Forms/Default.aspx>.

BR/lb