Office Memorandum

Date: February 7, 2018
To: Agency Payroll, HR, and Accounting Staff
From: Mary Muellner, Director, Statewide Payroll Services
Subject: Relocation Expense Reimbursements are Now Taxable

2018 federal tax law changes affect job-related moving expenses. All employer-paid and employer-reimbursed relocation expenses are now taxable as income and are subject to federal, state, and FICA taxes withholding.

- All relocation expense reimbursements and advances were considered taxable as of January 1, 2018. For relocation expense reimbursements and advances already processed in 2018, Statewide Payroll Services will correct all items to taxable. If the amounts are large, we will work with the agency, who will contact the employee.
- Employees may request advances for relocation expenses. Taxes will be withheld from the advance.
- Updated Relocation Authorization and Relocation Expense Report forms are available at Forms - Payroll.

NOTE: The IRS will be providing additional 2018 tax guidance, including an updated 2018 Form W-4 and an IRS tax calculator. We will notify you as information becomes available.

Relocation Expenses Reimbursement Tax Rates
Approved relocation expenses submitted by the employee will be taxed as follows:

- Federal withholding: 22%
- State withholding: 6.25%
- FICA withholding: 7.65%
- Total withholding: 35.9%

Direct Payment to a Moving Company
A moving company can no longer be paid directly from the state to the vendor. Agencies may no longer issue purchase orders for moving vans or trucks. If a purchase order is in place, please contact Statewide Payroll Services.

Employees must pay all parties directly for relocation expenses incurred.
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**Earnings Code Changes**

Five new earning codes are available for relocation expenses: RTA, RTB, RTF, RTR, and RTT. They replace earnings codes RLA, RLB, RLF, RLO, and RLT. In addition, earnings code ADV has been changed to a taxable earnings code.

The relocation expenses earnings code changes are described below.

<table>
<thead>
<tr>
<th>Old Earnings Code</th>
<th>Old Definition</th>
<th>NEW Earnings Code</th>
<th>NEW Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>RLA</td>
<td>Trans Hshld-Mileage&lt;=IRS Rate</td>
<td>RTA</td>
<td>Mileage-TransHousehold NewRes</td>
</tr>
<tr>
<td>RLB</td>
<td>Days Of Move-Mileage&lt;=IRS Rate</td>
<td>RTB</td>
<td>Mileage - Days Of Move</td>
</tr>
<tr>
<td>RLF</td>
<td>Transport-Moving Van/Storage</td>
<td>RTF</td>
<td>Transport-Moving Van/Storage</td>
</tr>
<tr>
<td>RLO</td>
<td>Transport Household - Other</td>
<td>RTR</td>
<td>Transport Household - Other</td>
</tr>
<tr>
<td>RLT</td>
<td>Trvl(Not Meals)While Moving</td>
<td>RTT</td>
<td>Trvl(Not Meals)While Moving</td>
</tr>
<tr>
<td>ADV</td>
<td>Relocation Advance</td>
<td>ADV</td>
<td>Relocation Advance</td>
</tr>
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<td></td>
<td>Earnings code is changed to taxable. Uses Supplemental Tax Method, Subject to FWT, Withhold FWT, Subject to FICA.</td>
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</tbody>
</table>

**Questions?**

- SEMA4 Help Policy and Procedure [PAY022, Employee Relocation Expenses](#), will be updated in the future. In the meantime, please keep this bulletin as a reference.

- Agency Payroll, HR, and Accounting staff should contact Jennifer Goossen at 651-201-8072 or [jennifer.goossen@state.mn.us](mailto:jennifer.goossen@state.mn.us) if there are questions.

**PLEASE SHARE THIS INFORMATION WITH APPROPRIATE AGENCY STAFF**