

ORDER

**U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION
WESTERN-PACIFIC REGION**

WP 2700.12B
NM 2700.10B

8/18/86

SUBJ: INCOME TAXES RELATED TO EMPLOYEE RELOCATIONS

1. **PURPOSE.** This order describes the process used for reporting relocation payments to employees and the Internal Revenue Service (IRS).
2. **DISTRIBUTION.** This order is distributed to the supervisory level in the regional offices and limited distribution to all field offices and facilities in the Western-Pacific and Northwest Mountain Regions.
3. **CANCELLATION.** Order WP 2700.12A/NM 2700.10A, Computer System for Reporting Federal Income Tax on Permanent Station (PCS) Payments, dated 2/5/86, is cancelled.
4. **BACKGROUND.** Under IRS regulations, certain relocation expenses are considered taxable income. Public Law 98-151 approved on November 14, 1983, states that employees who relocate with a reporting date on or after November 14, 1983 are entitled to reimbursement for substantially all of the additional Federal, state and local income taxes incurred as a result of their relocation. This reimbursement is paid in two phases.

a. The first phase, the withholding tax allowance (WTA), is paid to the employee at the time the actual vouchers are processed for payment. WP Form 2700.57, Notice of Suspended or Disallowed Items, is used to advise employees of the amount paid to them instead of being withheld for Federal income taxes.

b. The second phase, the relocation income tax allowances (RITA), is paid to employees after they have received their W-2 forms at the end of a tax year in which they incurred relocation expenses.

5. **PROCEDURES.**

a. Employees must submit an SF Form 1012 OP WP-1 (Travel Voucher) with a copy of their IRS Form W-2 attached, as well as providing the accounting office with other specific information required to determine any additional income tax liability above the WTA already paid to employees when their vouchers were actually paid. The total of the WTA and the RITA will very closely approximate the increased income tax liability incurred by employees who have relocated. Although the FAA is reimbursing employees for the additional taxes as a result of a relocation, it is still the responsibility of each employee to include their moving expenses in their personal income tax returns each year. The accounting office will send each employee an IRS Form 4782, Employee Moving Expense Information, by January 31, of each year. This form includes all the necessary information required for preparation of individual income tax returns.

Distribution:

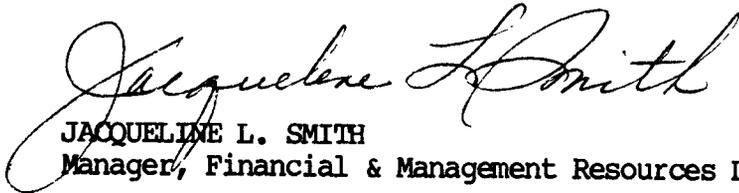
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Initiated By:

AWP-40

b. Each time an employee submits a relocation voucher, the certifying officer will identify and report any differences between the amount claimed and the amount paid using FAA Form 2700.57. This form will also show the WTA amount paid. The amounts certified for payments, including the WTA, are entered on an internal worksheet and forwarded to the Payroll Branch in Oklahoma City to update the employee's year-to-date earnings for inclusion on their yearly IRS Form W-2. It is also entered into a local computer system to produce the IRS Forms 4782 at the end of each year. This then gives the affected employee all the information needed to complete any required income tax returns.

6. COORDINATION. This order has been coordinated with the Northwest Mountain Region.



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