

## **Bradley University Moving Expense Reimbursement**

### **Tax Categories**

Moving expense benefits are divided into two tax categories for determining taxability: qualified and non-qualified.

### **Qualified Moving Expenses**

Qualified moving expenses are always considered non-taxable income. They include:

1. Reasonable costs of moving the employee's household goods and personal effects from the employee's former residence to the new residence;
2. Reasonable costs of travel and lodging expenses incurred from the old location to the new location; includes one trip from the old residence to the new residence for each family member; and
3. Reasonable costs of storing household goods and personal effects within any period of 30 consecutive days occurring after the items are moved from the former residence and before they are delivered to the new residence.
4. Costs must be incurred within 12 months of beginning new position.

In addition, the expenses must meet the **time test** and **distance test** described below.

### **Non-qualified Moving Expenses**

Non-qualified moving expenses are always considered reportable/taxable income.

They include:

1. All meals connected with the move;
2. Pre-move house hunting trips/expenses;
3. Temporary living expenses;
4. Expenses of buying or selling a residence;
5. Expenses of getting or breaking a lease; and
6. Security deposits including any given up due to the move.
7. Any other expense reimbursed, deemed to be non-qualified

### **Third Party Payments**

Payments to a third party, e.g., moving company, on behalf of an employee for qualified moving expenses are not reportable on the W-2.

### **Test for Qualified Expenses**

Reimbursements for **qualified moving expenses** are reported to the Payroll Office as nontaxable wages if the federal time and distance tests are met and if the employer's moving expense plan meets the requirements of an Accountable Plan.

**Time Test**

The employee's full-time employment status must be for 39 weeks during the 12 months immediately following the move. The time test can be waived by the employer due to death, disability or involuntary separation (other than willful misconduct) or if the employee is transferred for the employer's benefit.

**Distance Test**

The distance test is satisfied if the employee's move to a new headquarters is at least 50 miles farther from the employee's former residence than the employee's former residence was from the old headquarters. Example, the employee's normal commute from the old headquarters to the former residence was 15 miles. The employee's normal commute from the new headquarters to the employee's old residence must be a minimum of 65 miles to satisfy the distance test.

**Accountable Plan**

Bradley University meets the provisions for an Accountable Plan.

**Mileage Reimbursement**

The Federal Standard Mileage Rate (FSMR) established by the Internal Revenue Service for Moving Expense Mileage Reimbursement based upon current year regulations. This rate determines the tax status of moving expense mileage reimbursements, as follows:

**Reimbursement Not Exceeding FSMR**

Moving expense mileage reimbursements less than or equal to the FSMR for qualified moves and relocations are not reportable or taxable.

**Reimbursement Exceeding FSMR**

Amounts exceeding the FSMR are considered taxable income subject to Federal and State Income Taxes and FICA / FICAMED withholding. When the moving expense reimbursement exceeds the FSMR the amount reimbursed up to the FSMR is reportable but no tax withholding is required. The amount reimbursed above the FSMR is reportable, considered taxable income and subject to taxes and withholding as described previously.

**Withholding**

All amounts considered as non-qualified moving expenses will be added to the employee's federal, state, FICA and FICAMED wage base. Applicable FICA and FICAMED taxes will be withheld from the next pay period.

**W-2 Reporting****Box 1 (Wages, tips and other compensation)**

Reimbursement for non-qualified moving expenses and mileage in excess of the FSMR is reported here.

**Box 13 (Refer to explanatory codes on reverse side of Form W-2)**

Reimbursement for qualified moving expenses and mileage up to and including the FSMR is reported here, designated as:

1. "P", for excludable moving expense reimbursement  
(not included in Box 1).