

Changes to Taxability of Relocation Expenses Effective January 1, 2018

The recent Federal Tax Cuts and Jobs Act that was signed into law in December 2017 affects the taxability of moving and relocation expenses provided by employers (see [CFO Brostrom's memo for more details](#)). As a manager or supervisor at UCOP, we want you to be aware of these changes, as they may impact any recruitments you may have which include payment or reimbursement of relocation expenses in the offer letter.

What has changed?

Effective January 1, 2018, all moving expenses and reimbursements paid to the employee or third party vendors will be 100% taxable to the employee. This includes items that were previously treated as non-taxable, including:

- Moving expenses, whether paid by employee or directly to third party vendors by UCOP
- Transportation expenses, including airfare or mileage for the employee and their family
- Ground transportation, from airport at new location
- Parking during final move
- Lodging during final move
- Storage of belongings
- Packing supplies (tape, boxes, etc.)
- Other shipping costs

What does this mean for the employee?

- All relocation expenses paid or reimbursed by UC in 2018 are taxable, even if the move or expense was incurred in the previous year.
- All relocation expense reimbursements will be paid to the employee via their paycheck.
- The employee will be taxed for all expenses, regardless of who paid for the original expense (employee or UCOP).
- Any relocation expenses paid directly to a vendor by UCOP (airfare, moving company, etc.) will be recorded as imputed income on the employee's W-2. (Imputed income is the taxable value of a benefit paid by an employer, which is added to the employee's gross, taxable income, but is not included in the net pay) with appropriate federal tax withholding. California has not conformed to the new federal tax law as of January 1, 2018, so some reimbursements will not be taxable for California purposes.
- All expenses will be included as income (regular or imputed) and applicable payroll tax deductions will be applied.

Has the relocation payment/reimbursement submission process changed with the new tax law?

There are no changes to the submission process. Requests for PTA's (airfare), purchase orders (moving company) and reimbursements will all continue to go through the Business Resource Center. All requests can be submitted through ServiceNow through the appropriate BRC Team:

- PTA – Travel and Entertainment Team
- Purchase order – Purchase Order and Payment Team
- Relocation reimbursements – Purchase Order and Payment Team

Questions?

Please contact Amy Vrizuella with the Business Resource Center CAAP team if you have any questions regarding current or future relocations. Amy.Vrizuela@ucop.edu or 510-987-9135.