

# Relocation Expenses

## ROWAN UNIVERSITY POLICY

### Important Announcement:

Effective 1/1/2018, all moving expenses paid by an Employer are taxable and are required to be included as taxable income on the employee's W-2. This includes all moving reimbursements and payments made directly to third party vendors. This change was a part of the Tax Cuts and Jobs Act, a new tax law, which went into effect in early 2018.

**Title:** *Relocation Expenses*

**Subject:** *Payroll*

**Policy No:** *FIN: 2014:04*

**Applies:** *University-wide*

**Issuing Authority:** *President*

**Responsible Officer:** *Senior Vice President for Finance and CFO*

**Adopted:** *10/2003*

**Last Revision:** *11/29/2022*

**Last Reviewed:** *11/29/2022*

### I. PURPOSE

This policy sets forth the procedures, guidelines and limitations for reimbursement of reasonable, necessary and appropriate relocation expenses incurred by eligible new employees.

### II. ACCOUNTABILITY

Under the direction of the President, the Senior Vice President for Finance and CFO shall implement this policy and the Executive Vice President, Senior Vice Presidents, Vice Presidents, Deans and leaders of administrative departments shall ensure compliance with this policy.

### III. APPLICABILITY

This policy applies to all Rowan University departments (academic and administrative) that may elect to reimburse some of a new employee's reasonable, necessary and appropriate relocation costs.

### IV. REFERENCES

1. [IRS Tax Reform, Basic for Individuals & Families, Publication 5307](#)

### V. POLICY

1. The University recognizes that relocation expenses will be incurred when new faculty, professional or executive, managerial and professional staff members, who accept employment with Rowan University, must move their families to a new location in proximity to the University's campus. The University understands that, in some instances, their support may be essential to recruit the best available candidates for open positions. The University is committed to sound fiscal stewardship of public funds.

2. Certain expenses incurred in moving the household goods and personal effects for new full-time faculty or executive, managerial and professional staff members who have accepted a position with Rowan University may be paid to the individual as taxable salary/wage income as of January 01, 2018. University payments of an individual's moving expenses are taxable for federal purposes, whether they are paid directly to the individuals or paid to a third party on behalf of the individual. The types of moving and related travel expenses which qualify for reimbursement will be determined in accordance with IRS guidelines.
3. The University may not assume the full cost for the relocation of new employees. Reimbursement for reasonable and necessary relocation expenses shall be subject to departmental budget limits with the recommendation and approval of the Senior Vice President responsible for the requesting administrative department. Any reimbursement is limited to actual costs incurred up to the amounts agreed to by the departments, within the limits outlined in this policy.
4. Reimbursements made to employees will be made via direct deposit for convenience purposes.
5. Rowan University requires a new employee to meet all three of the following rules:
  - a. Expenses must have a University connection – that is, the newly hired employee must have paid or incurred deductible expenses while performing services as an employee of this University. Two examples of this are the reasonable expenses of moving an employee's possessions from their former home to their new home, and traveling from the employee's former home to new home.
  - b. New employees must adequately account to the University for these expenses within a reasonable period of time.
  - c. New employees must return any excess reimbursement or allowance within a reasonable period of time.
6. Reasonable Expenses: The employee can be reimbursed only those expenses that are reasonable for the circumstances of the move. For example, the cost of traveling from the employee's former home to the new home should be by the shortest, most direct route available by conventional transportation. If, during the trip to the new home, stops over, or makes side trips for sightseeing, the additional expenses for your stopover or side trips will not be reimbursed. Meal allowed for reimbursement will follow US General Services Admin for meals. (site linked below)
7. Letter of Appointment to Prospective Employees
  - a. When extending offers to prospective employees at one of the University's campuses, the hiring department may elect to reimburse a portion of the new employee's reasonable and necessary costs of relocating his or her family and personal possessions to a location in proximity to the University's campuses. The University will not authorize a separate allowance to each member of a family or members of the same household employed by the University. The University's decision shall be guided using, at least, the following criteria:
    - i. The hiring department's access to budgetary resources;
    - ii. The total estimated relocation cost;
    - iii. The benefits that accrue to the University and the hiring department as a result of the new hire;
    - iv. Similar benefits offered by other potential employers of the candidate; and
    - v. The nature of the position being filled by the new employee.
  - b. Authorized limits may be set by the Senior Vice President for the respective unit subject to available funds. Any exception to this policy must be approved in advance by the Provost, or the Senior Vice President for Finance and CFO. The approval must be attached to the request for reimbursement.
    - i. Questions regarding reimbursement for relocation expenses should be directed, as appropriate, to the Provost or the Senior Vice President for Finance & CFO.
  - c. To be eligible for reimbursement, the Letter of Appointment to the new employee must state that:
    - i. The University expects that the new employee will satisfactorily maintain employment on a full-time basis, as defined by the University, for at least one year, commencing on the date that the employee starts work on a regular basis at the University; and
    - ii. The failure of the new employee to remain employed by the University for a full twelve (12) months will result in the employee's responsibility to repay the full amount (including taxes) reimbursed by the University, which sum may be withheld from salary or other compensation due the employee, as provided by law.

- iii. The employee will be required to sign an agreement evidencing his/her receipt of the relocation expenses and an acknowledgment that this amount will be treated as a loan upon departure prior to twelve months' service to facilitate withholding from salary.
- d. The University will withhold income, social security, and Medicare taxes from reimbursements and allowances as required by law.
- 8. Tax Reporting
  - a. Under the Tax Cuts and Jobs Act of 2017, the personal deduction for relocation expenses and the exclusion from income of employer-paid relocation expenses are suspended from January 1, 2018 through December 31, 2025. As a result, **all** moving expenses incurred on or after January 1, 2018, whether reimbursed to an individual or paid to a vendor on behalf of an individual, are taxable income to the individual.
- 9. Contract and Grant Reporting
  - a. Moving expenses may be allowable on contracts and grants, provided that the source of salary funds and source of moving expenses are consistent and approved by the Vice President for Research. Reimbursements paid against a contract and grant account must comply with any and all policies established by the university or granting agency.
  - b. [Office of Management and Budget Circular A-21](#) also states that if moving charges are made against federal funds and the individual should terminate employment within twelve (12) months of the reimbursement, then 100% of the charges will be disallowed.
- 10. Laboratory, library, scholarly collections and research equipment
  - a. Reasonable and necessary expenses incurred in the relocation of a laboratory, library, scholarly collection or research equipment will not be considered household goods or personal effects to the extent that these items are relocated to university premises. These expenses are considered ordinary and necessary business expenses of the university and to the extent properly documented, will not be subject to dollar limitations.
  - b. The moving of laboratory goods is usually performed through the Contract and Purchasing Department in situations where university funds are to be expended for the relocation of faculty and staff who are newly hired by the university.
- 11. The new employee is responsible for completing appropriate documentation and submitting within the timeframes allowed. The Department head reviews and approves payment based on the regulations noted in the policy. Payroll Department audits the documentation, processes the disbursement and reports relocation expenses on the employee's W-2 form since all relocation expenses are taxable income to the individual.

## **VI. ATTACHMENTS**

- 1. Attachment 1 - Reimbursement Expenses
- 2. Attachment 2 - Non-Reimbursable Expenses
- 3. Attachment 3 – Reimbursement Procedures
- 4. [Attachment 4 – Link to GSA meal rates](#)

### **Attachment 1**

#### **Reimbursable Expenses**

- 1. Reimbursable expenses that are subject to tax withholding include the following:
  - a. Commercial moving company;
  - b. Charges for packing, crating, mailing and/or shipping household goods; and other miscellaneous packing supplies;
  - c. Rental truck;
  - d. In-transit storage for up to 30 consecutive days;

- e. Travel and lodging cost for one trip from the prior residence to the new residence, which may include:
  - i. Lodging in transit;
  - ii. Airfare (coach class only);
  - iii. Rental car (economy only);
  - iv. In accordance with IRS regulations, the standard mileage rate for using your vehicle to move to a new home may vary per year; and
  - v. Tolls and parking.
- 2. House hunting expenses (one trip, not to exceed 5 days) are reimbursable expenses and are taxable income to the individual.
- 3. Reimbursable Expenses
  - a. Expenses associated with the transportation of household goods and personal effects from the new employee's former residence to the new residence are reimbursable. This includes costs of packing, shipping and unloading, but not "unpacking" services.
  - b. Expenses of traveling from the employee's former residence to the new residence are reimbursable as moving expenses and should be by the shortest, most direct route available by conventional transportation.
  - c. The actual costs of transportation and lodging incurred in route are reimbursable. Mileage rates will be made based on the IRS guidelines. Travel expenses are limited to one trip per family member.
  - d. Original Receipts must be obtained for all expenditures and submitted with a Relocation Expense Form. Please note, without original receipts, you will not be reimbursed for expenses.

## **Attachment 2**

### **Non-Reimbursable Expenses**

- 1. Expenses not reimbursable by the University include but are not limited to:
  - a. Additional insurance coverage over and above that normally is provided by commercial moving companies
  - b. Air phone usage
  - c. Airfare seating: main cabin extra, preferred seating or early bird check in
  - d. Airline or VIP club membership dues or one-day admission fees
  - e. Alcoholic refreshments
  - f. Any subsequent moves from temporary to permanent housing
  - g. Cash tips
  - h. Car repairs/routine maintenance or locksmith charges
  - i. Cost related to immigration
  - j. Credit card delinquency fees/finance charges/annual fees
  - k. Expenses incurred by persons not considered to be dependents
  - l. Expenses related to vacation or personal days taken before, during, or after a pre-move/relocation
  - m. Home improvements to help sell your home
  - n. Loss on the sale of your home
  - o. Losses from disposing of memberships in clubs
  - p. Loss of security deposits
  - q. Loss or theft of cash advance money or airline tickets
  - r. Loss or theft of personal funds or property
  - s. Lost baggage, luggage, briefcases or baggage insurance
  - t. Meals and travel costs incurred by laborers
  - u. Medical expenses while traveling
  - v. Mileage for a car driven that is not the employee's or household members'
  - w. Moving household effects from an address other than the home address

- x. Payments made using CashApp, Venmo, Zelle, ApplePay, etc.
- y. Parking or traffic violations
- z. Personal accident or property insurance
- aa. Personal, recreational entertainment of any kind or other entertainment
- ab. Postage cost for realty and mortgage documents
- ac. Real estate taxes
- ad. Realtor fees, commission, etc.
- ae. Refitting of carpet and draperies
- af. Repairs to personal or rental vehicles
- ag. State of New Jersey sales tax made on purchases including, but not limited to, meals and lodging
- ah. Souvenirs or personal gifts
- ai. Storage (excluding 30 days in transit)
- aj. Travel and lodging costs incurred during additional trips from the prior residence to the new residence
- ak. Trip cancellation insurance
- al. Utility and telephone installation charges

### Attachment 3

#### Reimbursement Procedures

1. Employee responsibilities
  - a. Agrees to maintain accurate records of all expenses incurred in connection with such relocation.
  - b. Complete all sections of the Relocation Expense Form
  - c. Submit original itemized receipts with the request attached to a Relocation Expense Form. If original receipts are not received, the employee will not be reimbursed for those items.
  - d. Include a copy of the Appointment Letter.
  - e. Make copies for your records (these records will be useful for purposes of filing individual tax returns).
  - f. Submitting individual expenses on multiple relocation forms will delay the reimbursement process.
2. Employing unit responsibilities
  - a. Review relocation documentation for appropriate signature and compliance with University policy and IRS Requirements.
  - b. If reimbursement of relocation expenses will be made using grant funding, the original documents, including the Letter of Appointment, should be forwarded to the Office of Sponsored Programs for processing.
  - c. Forward original documents for all other relocation expenses, including a copy of the Letter of Appointment, to the Provost Office who will forward to the Payroll Office.
3. Office of the Senior Vice President for Finance and CFO responsibilities
  - a. Calculate tax-reporting requirements on the **Relocation Expense Form**.
  - b. Issue the reimbursement payment within ten business days.
  - c. **Report all relocation expenses on the annual W-2 Form.**
  - d. Retain documentation for audit purposes.