

## 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%

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- **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.

**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.

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

**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**