

Change of Station Taxes and Relocation Income Tax Allowance (RITA)

NSSC Travel

Change of Station Taxes and Relocation Income Tax Allowance (RITA)



Q. Why are taxes deducted from my Change of Station (COS) travel voucher?

A. Internal Revenue Service (IRS) Publication 521 states that certain moving expenses reimbursed to an employee are supplemental wages. This is considered to be earned income and, as such will be taxed.

Q. What taxes are withheld from my travel voucher?

A. The following taxes are deducted from your travel reimbursement:

- Federal Withholding Tax 25%
- Medicare (Hospital Insurance Tax – HIT) 1.45%
- Social Security (Federal insurance Contributions Act- FICA), if applicable 6.2%
- State Tax - if applicable

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Q. How are taxes calculated?

A. To prevent you from using part of your reimbursement to pay the 25% federal tax, a Withholding Tax Allowance (WTA) is applied to the reimbursement amount.

For example:

| | |
|--------------------------------------|------------------|
| Travel reimbursement | \$3570.00 |
| Gross up by WTA (multiply by 33.33%) | <u>1190.00</u> |
| Grossed Up Amount | \$4760.00 |

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The “grossed up” amount is then used and applicable taxes are deducted as follows:

| | |
|----------------------------------|------------------|
| Reimbursement with the WTA added | \$4760.00 |
| Deduct: Federal Tax (25%) | 1190.00 |
| Deduct: State Tax (5%) | 238.00 |
| Deduct: Medicare (1.45%) | 69.02 |
| Deduct: Social Security (6.2%) | <u>295.12</u> |
| Amount Paid to employee | \$2767.86 |

Q. What is a Withholding Tax Allowance (WTA)?

A. WTA is an allowance given to you to offset the federal tax withheld from your reimbursements.

On each relocation voucher processed, a WTA of 33.33% will be calculated and paid to you to replace only the Federal tax withholdings on your reimbursement. The WTA does not cover the HIT, FICA, and State taxes.

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Q. Does the WTA apply to all of my Change of Station reimbursements?

A. No. You will not receive a WTA to offset the withholding on your Home Marketing Incentive payment. However, the Home Marketing Incentive is considered income and the agency will withhold income and employment taxes on it.

Q. How will I know when taxes are taken out of my voucher?

A. The NSSC will send an email with a scanned copy of your voucher and worksheet showing the payment calculation. The amount paid to you will be the net amount less the taxes.

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Q. What type of Change of Station (COS) vouchers are taxable?

A. The following vouchers when submitted and processed for payment will be taxed:

| Type of Voucher | What will be taxed |
|--------------------------------|--|
| En route Voucher | Meals and Incidental Expenses only |
| Househunting trip | All, including payment to third party such as airline ticket purchased with the agency's centrally billed travel account |
| Household Goods expenses | Storage over 30 days, including payments made to a third party or on employee's behalf |
| Miscellaneous expense | All |
| Temporary Quarters | All |
| Sale and Purchase of Residence | All |
| Lease Break | All |

Q. Does the NSSC report the taxes withheld?

A. Yes. Moving expense reimbursements are reported to the IRS as income (supplemental wages, salary, or other compensation).

It will also be reported to the state where you incurred state income tax liability.

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Q. Will I receive a W-2 for the taxable income on my relocation reimbursements?

A. Yes, the taxable withholdings will be included on the same W-2 you receive for your salary income. A separate W-2 will not be issued.

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- Q. Will I receive a breakdown of the taxes withheld to support what is reflected on my W-2?
- A. Yes, the NSSC will send you Form 4782 showing a detailed breakdown of reimbursements or payment of moving expenses. It will be provided to the employee by January 31 following the calendar year in which you received the reimbursement or payment.

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Example of form 4782

| Relocation Payment Worksheet Center: NSSC 2009 Employee: EOD: 00/00/2009 AUTH: xxxxxxxxxxxx | (Gross Claim) Amount Paid to Empl. | Amt. Paid to 3rd Pty(CBA) for Empl. | Total Paid | WTA | Moving exp. Deduction (pd to Empl. | Amt of covered taxable reimbursement | Subj to Taxes | Not Subj to Taxes | FED w/lt Tax | HIT Tax | FICA Tax | State Tax |
|--|--|---|-----------------|----------------|--|--|------------------|----------------------|--------------------|---------------|---------------|----------------|
| Enroute Meals | 214.50 | 0.00 | 214.50 | 71.50 | | 214.50 | 286.00 | | 71.50 | 4.15 | 0.00 | 14.30 |
| Enroute Lodging | 69.88 | 0.00 | 69.88 | | 69.88 | | | 69.88 | | | | |
| Enroute Transportation | 400.24 | 0.00 | 400.24 | | 400.24 | | | 400.24 | | | | |
| House Hunting Trip | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 |
| Temporary Quarters | 3448.32 | 0.00 | 3448.32 | 1149.44 | | 3448.32 | 4597.76 | | 1149.44 | 66.67 | 0.00 | 229.89 |
| Miscellaneous Expense Allowance | 500.00 | 0.00 | 500.00 | 166.67 | | 500.00 | 666.67 | | 166.67 | 9.67 | 0.00 | 33.33 |
| Lease Breaking Expense | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 |
| Home Marketing Incentive Award | 8490.00 | 0.00 | 8490.00 | | | | 8490.00 | | 0.00 | 123.10 | 526.38 | 424.50 |
| Real Estate Expenses | 3235.10 | 27451.00 | 30686.10 | 1078.37 | | 3235.10 | 4313.47 | | 1078.37 | 62.55 | 0.00 | 215.67 |
| Guaranteed Home Sale | 0.00 | 27451.00 | 27451.00 | | | | | | | | | |
| Transportation of HHG | 0.00 | 11437.66 | 11437.66 | | 0.00 | | | 0.00 | | | | |
| 1st 30 days of Temp Storage | 0.00 | 4290.18 | 4290.18 | | 0.00 | | | 0.00 | | | | |
| Additional Temp Storage | 0.00 | 2606.62 | 2606.62 | 868.87 | | 2606.62 | 3475.49 | | 868.87 | 50.39 | 0.00 | 173.77 |
| Extended Storage | 0.00 | 0.00 | 0.00 | | 0.00 | | | 0.00 | | | | |
| RITA | 2213.48 | 0.00 | 2213.48 | | | | 2213.48 | | 553.37 | 32.10 | 0.00 | 110.67 |
| Mobile Home in Lieu of Household goods | 0.00 | 0.00 | 0.00 | | 0.00 | | | 0.00 | | | | |
| Grand Total | 18571.52 | 73236.46 | 91807.98 | 3334.85 | 470.12 | 10004.54 | 24042.87 | 470.12 | 3888.22 | 348.63 | 526.38 | 1202.14 |

Change of Station Taxes and Relocation Income Tax Allowance (RITA)



Q. What is a Relocation Income Tax Allowance (RITA)?

A. RITA is a moving expense allowance designed to reimburse eligible transferred employees for substantially all of the additional Federal, State and local income taxes paid as a result of a Change of Station (COS) move. A RITA reimbursement is taxable.

Change of Station Taxes and Relocation Income Tax Allowance (RITA)



Q. Who is authorized RITA?

A. Employees who transferred on or after November 14, 1983, in the interest of the Government from one official station to another.

Q. Who is not authorized RITA?

A. The following are not covered by RITA:

- New appointee, including student trainees
- Employees assigned under the Government Employees Training Act (5 U.S.C. 4109)
- Employees returning from overseas assignments for the purpose of separation
- Senior Executive Services (SES) Career Appointees exercising last move home

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Q. What type of expense or allowances are covered by RITA?

A. The following types of expenses or allowances are covered by RITA:

| Type of Expense | Description |
|---------------------------------|--|
| En route travel | Your travel (including per diem) and transportation expenses and those of your family for en route travel from your old duty station to your new duty station |
| Household goods shipment | Transportation (including temporary storage) expenses for movement of your household goods from your old duty station to your new duty station |
| Non temporary Storage expenses | Allowable expenses for non temporary storage of household goods belonging to an employee transferred on or after November 14, 1983, through October 11, 1984, to an isolated location in the continental United States. Non temporary storage expenses are not covered by the RIT allowance for transfers on or after October 12, 1984 |
| Mobile home movement | Expenses for the movement of a mobile home for use as a residence when movement is authorized instead of shipment and temporary storage of your household goods |
| Househunting trip | All of your travel (including per diem) and transportation expenses you and/or your spouse for one round trip to seek a permanent home at the new duty station |
| Temporary Quarters | Your daily subsistence expenses (lodging and MIE) and those of your family during occupancy of temporary quarters |
| Real Estate Expenses | Allowable expenses for the sale and purchase of your home, or expenses of settlement of an unexpired lease at your old duty station |
| Miscellaneous Expense allowance | Allowance authorized for defraying certain expenses associated with discontinuing a home at one location and establishing a home at your new location |

Change of Station Taxes and Relocation Income Tax Allowance (RITA)



Q. What type of expense or allowances are excluded from RITA?

A. The following type of expenses or allowances are excluded from RITA:

- Paid or reimbursed expense for shipment of privately owned vehicle
- Recruitment, retention, or relocation bonuses
- Home Marketing Incentive Payment

Q. Do I have to file a RITA voucher?

A. Yes. Employees who receive a WTA must file a RITA voucher. NASA requires you to sign an agreement to submit this voucher as a condition of your relocation. Failure to file will require repayment of all WTA amounts paid to the employee.

Change of Station Taxes and Relocation Income Tax Allowance (RITA)



NSSC-Form 0026
Revision: Basic

AGREEMENT TO REPAY WITHHOLDING TAX ALLOWANCE

Example of Agreement to Repay Withholding Tax Allowance

Withholding Tax Allowance – Each time an employee is reimbursed for moving expenses which are subject to Federal withholding tax, a withholding tax allowance (WTA) is calculated. The WTA is paid by the Government as an advance toward the final Relocation Income Tax allowance (RITA). The NSSC Finance Division applies a WTA to taxable reimbursements each time a claim (voucher) is processed.

Relocation Income Tax Allowance (RITA) – Public Law 98-473, enacted October 12, 1984, authorized payment of Relocation Income Tax allowance to cover additional taxes incurred because of reimbursement for covered taxable moving expenses. At the beginning of each tax year, the NSSC Finance Division will send an explanation letter and certification forms to the employees who received a withholding tax allowance on taxable moving expenses during the previous year.

Employees who receive taxable reimbursements for permanent change of station expenses are required to submit a claim for the RIT allowance.

In the event the employee violates the terms of the service agreement, no part of the RIT allowance or the WTA will be paid, and any amounts paid prior to such violation shall be a debt due the United States that the employee will have to pay back.

EMPLOYEE AGREEMENT FOR REPAYMENT OF THE WITHHOLDING TAX ALLOWANCE

In compliance with the Federal Travel Regulation 302-11.7(e), I agree to:

- Submit the required tax information (W-2 forms, 1040-Schedule SE, NSSC Form-0026), and claim for the relocation income tax (RIT) allowance within a reasonable length of time after the receipt of the RITA package from the NSSC Finance Division. (The RITA packages are sent out at the beginning of each tax year.) Failure of the employee to comply with this requirement will preclude the agency's payment of the withholding tax allowance (WTA). The entire WTA will be considered an excess payment if the RIT allowance claim is not submitted.
- Repay NASA any excess amount paid as a withholding tax allowance (WTA).

Employee's (Transferee) Signature

Date

Change of Station Taxes and Relocation Income Tax Allowance (RITA)



Q. When do I file RITA?

A. You will file for the RITA the year (year 1) following the year (year 2) you receive reimbursement for your moving expenses.

- Year 1 will always be the calendar year that reimbursements are received.
- Year 2 will be the calendar year in which the RITA is computed and actually paid.

For example:

You received reimbursement for your moving expenses in June of 2008 (year 1). You will file for the RITA allowance in calendar year 2009 (year 2).

Q. If my PCS reimbursements are paid over two or more calendar years, will I be required to file multiple RITA vouchers?

A. Yes. RITA vouchers may need to be filed in more than one year, since relocation reimbursements could be extended over two or more years.

For example:

If you received PCS reimbursements during calendar year 2009 (year 1) you will file the RITA claim in calendar year 2010 (year 2).

Next, you receive an additional reimbursement in calendar year 2010 (year 1, again) you will file the RITA claim for this reimbursement in calendar year 2011 (year 2).

Q. How do I file for RITA?

A. The year *after* the tax year that you are reimbursed for relocation expenses, you must file a claim for the RITA on a Standard Form (SF) 1012 (Travel Voucher).


The following list must be attached to the signed SF 1012:

- Completed and signed NASA form 1632 (Relocation Income Tax Allowance Certification)
- Copies of W-2s for employee and spouse (if applicable) and/or 1099-R (for Military Retirement Only) for the year of the RITA you are filing
- Copies of 1040 Schedule SE (Self Employment) tax form for employee and spouse (if applicable) for the year of the RITA you are filing

Change of Station Taxes and Relocation Income Tax Allowance (RITA)



Example of RITA Certification Form (NASA Form 1632)

|  National Aeronautics and Space Administration | | | |
|---|---------------------------------------|--|---------------------------|
| Relocation Income Tax Allowance Certification | | | |
| <small>THIS CERTIFICATION MUST BE ATTACHED TO A SIGNED SF 8012, "TRAVEL VOUCHER" TO SUPPORT A RELOCATION INCOME TAX ALLOWANCE (RITA) CLAIM. COPIES OF ALL W-2 FORMS AND SCHEDULE SE MUST ALSO BE INCLUDED IN FURTHER JUSTIFICATION OF THE CLAIM.</small> | | | |
| SECTION I - BASIC DATA | | | |
| NAME TRAVELER, John J. | | SSN 000-11-0000 | |
| ENTER ON DUTY DATE 01.07/2008 | OFFICE PHONE (225) 513-0000 | PRESENT DUTY CENTER NSSC | TAX YEAR 2008 |
| SECTION II - ALLOWANCE DATA | | | |
| <small>EARNED INCOME - GROSS COMPENSATION AS SHOWN ON FORM(S) W-2 (BLOCK 7) AND/OR NET EARNINGS (OR LOSS) FROM SELF-EMPLOYMENT INCOME SHOWN ON SCHEDULE SE (LINE 7 PLUS LINE 2)</small> | | | |
| | FORMS W-2 (Block 7) | LINE 1 PLUS LINE 2 SCHEDULE SE | |
| EMPLOYER | \$ <u>72,000</u> | \$ <u>3,000</u> | |
| SPOUSE (if paid) | \$ <u>17,000</u> | \$ _____ | |
| EARNED INCOME | \$ <u>89,000</u> | + \$ <u>3,000</u> | = \$ <u>92,000</u> |
| FILING STATUS: <input type="checkbox"/> SINGLE <input checked="" type="checkbox"/> MARRIED FILING JOINT RETURN <input type="checkbox"/> HEAD OF HOUSEHOLD <input type="checkbox"/> MARRIED FILING SEPARATE RETURN <input type="checkbox"/> QUALIFIED WIDOW(ER) w/DEPENDENT CHILD | | | |
| STATE TAX INFORMATION <u>IL</u> NAME OF STATE WHERE YOU INCURRED INCOME TAX LIABILITY ON RELOCATION REIMBURSEMENTS AT THE NEW LOCATION IN THE TAX YEAR SHOWN ABOVE. IF EARNED INCOME SHOWN ABOVE IS LESS THAN \$20,000 ANSWER THE FOLLOWING: INDICATE STATE INCOME TAX RATE (%) _____ RATE IS EXPRESSED AS A PERCENTAGE OF: <input type="checkbox"/> INCOME <input type="checkbox"/> FEDERAL TAX | | | |
| LOCALITY TAX INFORMATION <u>XX</u> NAME OF LOCALITY WHERE YOU INCURRED INCOME TAX LIABILITY ON RELOCATION REIMBURSEMENTS AT THE NEW LOCATION IN THE TAX YEAR SHOWN ABOVE. TYPE OF LOCALITY: <input type="checkbox"/> CITY OF MUNICIPALITY <input checked="" type="checkbox"/> COUNTY RATE IS EXPRESSED AS A PERCENTAGE OF: <input checked="" type="checkbox"/> INCOME <input type="checkbox"/> STATE TAX <input type="checkbox"/> FEDERAL TAX | | | |
| SECTION III - CERTIFICATION | | | |
| I / WE CERTIFY THAT THE INFORMATION GIVEN ABOVE IS NECESSARY FOR CALCULATING THE RITA TO WHICH I / WE MAY BE ENTITLED, HAS BEEN (or to be filled) BY ME (or jointly with my spouse) WITH APPLICABLE FEDERAL, STATE, AND LOCAL TAX AUTHORITIES FOR THE ABOVE REFERENCED TAX YEAR. I / WE ALSO CERTIFY THAT THE ABOVE INFORMATION IS TRUE AND ACCURATE TO THE BEST OF MY / OUR KNOWLEDGE. I / WE AGREE TO NOTIFY THE FINANCIAL MANAGEMENT OFFICE OF ANY CHANGES TO THE ABOVE (i.e., from amended tax returns, tax audits, etc.) SO THAT APPROPRIATE ADJUSTMENTS TO THE RELOCATION INCOME TAX ALLOWANCE CAN BE MADE. | | | |
| EMPLOYEE'S SIGNATURE John Traveler | DATE | SPOUSE'S SIGNATURE Joan Traveler | DATE 04.01.2009 |

Q. Where can I go to get forms and examples of RITA vouchers?

A. Instructions on how to file a RITA, forms required, and sample forms maybe found on the Change of Station web site at

<https://www.nssc.nasa.gov/portal/site/customerservice>

- Select Travel
 - Select Change of Station
 - Select References
 - Select Examples of Change of Station Forms
 - Check Relocation Income Tax Allowance (RITA)
 - Click Submit
- Or, call the NSSC Customer Contact Center (1-877-677-2123) to speak with a representative with any questions you may have regarding this process.

Change of Station Taxes and Relocation Income Tax Allowance (RITA)



References:

- Federal Travel Regulations Part 302-17
- NASA Financial Management Manual (FMM) 9760 – 9765
- NASA Procedural Requirements (NPR) 9700.1 Appendix A
- IRS Publication 521, Moving Expenses