Moving Expense Reimbursement – Taxable or Nontaxable

To determine if reimbursed moving expenses are taxable or nontaxable, you have to first determine if the move meets the requirements of a deductible (nontaxable) move. Once this determination is made and it is determined that the move is a nontaxable move, then the type of expenses being reimbursed need to be reviewed to determine the taxability of each type of reimbursement. If the accountable plan rules are not met, nontaxable moving reimbursements may end up being treated as taxable reimbursements.

Step 1

Generally, all of the following requirements must be met for the move to be a nontaxable move and to move on to step 2 and determine the taxability of each reimbursable expense.

- The move must occur within 1 year of accepting a new job in a new location.
- Distance Test: The move must be more than 50 miles from the prior primary residence of the new employee. Example: The distance from the prior home to prior workplace is 3 miles. The distance from the prior home to new workplace must be more than 53 miles to meet the distance test.
- Time Test: The new employee must work full time for at least 39 weeks in the first twelve months at the new job.

If any of the above criteria cannot be met, please contact the Tax and Compliance Manager for a determination on the taxability of the moving expense reimbursement.

Step 2

A determination of the taxability of each expense being reimbursed must be made.

The following types of reimbursements are generally nontaxable. The list below only includes the items that are allowable under Colorado College’s Relocation Assistance policy. You may be able to deduct other expenses related to your move when filing your tax return. For additional information please refer to IRS Publication 521, Moving Expenses.

- Cost to move household goods and personal effects
- Reasonable travel costs to get to your new home.
  - Travel is generally nontaxable for one trip from the old home to the new home for the employee and each household member. These trips do not have to occur at the same time (if employee comes first and family comes later, reimbursement of family is still nontaxable.)
  - Lodging. See the College’s Relocation Assistance Policy for details.
Nontaxable reimbursements continued:

- The standard mileage rate for moving for 2015 is $.23 per mile.
- Reimbursement of parking fees and tolls related to the move are generally nontaxable.
- Costs of shipping cars and pets.

AccountablePlans

For reimbursements to fall under an accountable plan and Colorado College’s Relocation Assistance Policy, the following three rules must be satisfied:

- The reimbursement has to be made to an employee or future employee.
- The employee must generally provide receipts to CC within 30 days of incurring the expense.
- Any excess funds must be returned to CC by the employee within 120 days. If it is not returned or accounted for with receipts, it becomes a taxable reimbursement.

For questions regarding whether or not CC will reimburse a particular expense, please contact the Senior Manager for Talent Acquisition and Employment Services, Paul Schilli. The above information is summarized from IRS Publication 521, Moving Expenses which can be found at http://www.irs.gov/pub/irs-pdf/p521.pdf