

Reimbursement Program for Moving Expenses

1. Introduction. The University's Reimbursement Program for Moving Expenses is not an entitlement. It is a benefit to be negotiated with the new academic or administrative staff member during the hiring process. The Letter of Offer should specify the appropriate payment level and define the maximum amount. A copy of this program should be provided with the Letter of Offer.

The University's Reimbursement Program for Moving Expenses allows reimbursement of certain moving expenses subject to certain limits and conditions. The program consists of two plans for reimbursements: An Accountable Plan and a Nonaccountable Plan. The significant difference between the two plans is that reimbursements made pursuant to the Accountable Plan are not included as income in box 1 of the employee's Form W-2 and are not subject to income tax, social security tax, and Medicare tax withholding. Reimbursements made under the Nonaccountable Plan are deemed income and are subject to tax withholding.

2. Maximum Amounts. Regardless of whether the reimbursements are made under the Accountable Plan, Nonaccountable Plan, or a combination, the maximum amount of reimbursement is as follows:

Level I (\$5,000 allowance): Administrative or Faculty

Level II (\$7,500 allowance): Department Chair

Level III (\$10,000 allowance): Dean, Vice President, or above

The reimbursement is based on actual moving expenses not to exceed the maximum amounts. Offers to reimburse expenses in excess of the maximum amounts or individuals not covered by this program must be approved by the President and the Vice President of Finance and Administration.

In the event that actual moving expenses exceed the maximum amount and have been approved by the President as indicated above, moving expense reimbursements will first be made under the Accountable Plan (appendix A) then under the Nonaccountable Plan (appendix B).

3. Conditions for Reimbursements. For reimbursement to be made for any moving expense under this program, the following conditions must be met:

a. The following items be reflected in the written in the Letter of Offer and accepted by the employee:

- (1) Offer of moving expense reimbursement with maximum amount and
- (2) The employee's agreement to comply with the program requirements;

b. The reimbursements are made in compliance with either the Accountable Plan (appendix A) or the Nonaccountable Plan (appendix B), which are intended to comply with current tax law and University policy; and

c. The employee submits an expense voucher with supporting documentation for the reimbursable expenses within 60 days of incurring the expenses.

4. Payment. May be made in any combination of the following:

a. The preferred method is direct payments to third parties (moving companies, etc.) by the University. The University's Purchasing Department has negotiated a University-wide contract with a nationally recognized moving company specializing in the education and research settings. Purchasing will be responsible for these payments by completing a Purchase Order; and/or

b. Individual reimbursement for actual expenses incurred not to exceed certain limitations.

5. Resignation/Termination before Completing Contract. Any person granted an appointment that voluntarily leaves the University before the end of the contract period will be required to refund a portion of the relocation allowance based on a fraction per month pro-rated from the original contract period.

Any person discharged by the University before the end of the contract period, or not reappointed after completion of contract period will not be required to refund any amount of original relocation allowance.

6. Compliance Responsibilities. Because even an accidental failure to comply with this program could cause serious consequences due to violations of applicable tax law and misappropriation of University funds, the Controller shall take steps to ensure compliance with this program and applicable tax law, including the following activities:

a. Education and Training. The Controller and staff shall receive annual training on this program to include at least reviewing this document and having the opportunity to discuss its contents with knowledgeable staff.

b. Document Retention. The Controller shall ensure appropriate documentation is maintained to show compliance with this program for any authorized audit, investigation, or review.

c. Self-Audit. The Controller or Assistant Controller shall conduct an annual audit of reimbursements made under this program to detect potential violations of this program. An audit report shall be generated and maintained in cases of other authorized audit, investigation, or review activities.

THE ACCOUNTABLE PLAN.

1. Introduction. Moving expense reimbursements made under the Accountable Plan are not included as income in box 1 of the employee's Form W-2 and are not subject to income tax, social security tax, and Medicare tax withholding. There are strict criteria that must be met in order for reimbursements to be considered to be under the Accountable Plan. IRS Publication 521 provides useful information on these criteria. The employee is also advised to consult with a tax advisor or refer to the published tax laws for further information and assistance.

2. Three Requirements. For reimbursements to be deemed part of the Accountable Plan, they must meet the following three conditions (which are further explained in subsequent paragraphs):

a. The expenses would have been deductible had the employee paid the expenses without reimbursement from the University;

b. The employee must adequately account for these expenses; and

c. The employee must return any excess reimbursements.

3. First Requirement (deductible). The first requirement for an Accountable Plan is met only when the expenses would have been deductible per IRS law by being a qualified move and a qualified expense. The criteria are explained as follows:

a. Qualified Move. IRS law requires that the move be closely related to the start of work and that a distance and time test be met. These requirements will be satisfied when the following occur:

(1) The expenses were incurred within one year from date the employee reported to work and the employee works full time for at least 39 weeks during the next 12 months following reporting to new job; and

(2) The distance from the new home to the new job is not more than the distance from your old home to your new job and the new job is at least 50 miles farther from the old home than the old job was from the old home.

b. Qualified Expenses. The IRS only allows expenses that are reasonable and only expenses of moving the employee's household goods and personal effects (and those of members of the employee's household) and of traveling to the new home.

(1) Examples of qualified expenses are:

(a) Cost of packing, crating, and transporting the employee's household goods and personal effects from the former home to the new home;

(b) Costs of connecting and disconnecting utilities required because the employee is moving;

(c) Cost of shipping the employee's car and household pets to the new home; cost of moving household goods and personal effects from another place to your new home (limited to the amount it would have cost to move from former home to new home);

(d) Cost of storing and insuring household goods and personal effects within any period of 30 consecutive days that is between the date those things are moved from the old home and the date the things are delivered to the new home;

(e) Cost of transportation and lodging for the employee and members of the employee's household while traveling from the old home to the new home (including the day the employee arrives to the new home and includes lodging expenses in area of old home that is within one day of the employee not being able to live in the old home due to movement of furniture)(for travel by car, actual expenses supported by records or a standard rate of 15 cents per mile).

(1) Examples of expenses that are *not* qualified expenses:

(a) Purchase price of new home, expenses of buying or selling a home, home improvements, loss on the sale of home, mortgage penalties, and real estate taxes;

(b) Expenses of getting or breaking a lease and loss of security deposits;

(c) Car license plates, driver's license, losses from disposing of club memberships;

(d) Meals;

(e) Pre-move house-hunting expenses; and

(f) Any expense listed as a qualified expense but is not reasonable (for example, not using most direct route available by conventional transportation).

4. Second Requirement (accounting). The second requirement for an Accountable Plan is met only when the employee adequately accounts to the employer for the expenses within a reasonable period of time per IRS law.

(a) An adequate accounting is an expense voucher (or other report listing the expenses incurred) supported by receipts, canceled checks, bills, etc.

(b) A reasonable period of time is within 60 days after incurred.

5. Third Requirement (returning excess). The third requirement for an Accountable Plan is met only when the employee is required to and does return any excess reimbursement within a reasonable period of time per IRS law. A reasonable period of time is within 120 days after expense was incurred or after becoming aware of existence of excess.

6. Failure to Satisfy Requirements. If, for any reason, there is a failure to satisfy any of the requirements for the Accountable Plan and IRS law, the expense may not be reimbursed under the Accountable Plan and any funds so reimbursed must be returned. Depending upon the circumstances, the expense might be reimbursable under the Nonaccountable Plan.

THE NONACCOUNTABLE PLAN

1. Introduction. Moving expense reimbursements made under the Nonaccountable Plan are included as income in box 1 of the employee's Form W-2 and are subject to income tax, social security tax, and Medicare tax withholding. The employee is advised to consult with a tax advisor or refer to the published tax laws for further information and assistance.

2. Requirements.

a. For a moving expense reimbursement to be made under the Nonaccountable Plan, the expense must be reasonable and:

(1) Incurred as a result of the move;

(2) Be referenced by category (e.g. meals) in the offer letter or otherwise approved by the Vice President of Finance and Administration; and

(3) Be reflected in an expense voucher (or other report listing the expenses incurred) supported by receipts, canceled checks, bills, etc., that is submitted within 60 days after the expenses were incurred.

b. Examples of expenses that may be included under the Nonaccountable Plan include meals during the move; house-hunting transportation, meals, and lodging; and fees or penalties caused by the move, such as lease termination and execution fees.

3. Failure to Satisfy Requirements. If, for any reason, there is a failure to satisfy any of the requirements for the Nonaccountable Plan, the expense may not be reimbursed under the Nonaccountable Plan and any funds so reimbursed must be returned.