

Employee Relocation Expense Reimbursement

Employees that have been offered Relocation Expense Reimbursement as part of their employment with DePaul University should follow the steps outlined below. In addition to being reviewed by the employee's managers, the relocation expenses will be reviewed for tax classification and submitted for payment by Payroll Services. Further details regarding the **Relocation Expenses** policy for full-time staff are available at <https://policies.depaul.edu>.

- 1) Refer to the offer letter for specific relocation expenses that will be reimbursed by the university
- 2) Complete the Relocation Expense Reimbursement form on the Financial Affairs website http://financialaffairs.depaul.edu/payroll/moving_reimbursement.htm
 - a. Include a brief explanation describing the itinerary and relocation expenses being submitted
 - b. Enter expenses by category and purpose
 - c. Confirm that the new job is at least 50 miles from your old residence
 - d. Include receipts with the Relocation Expense Reimbursement form
 - i. Receipts must be original (not copies)
 - ii. If receipts are printed on small strips of paper, affix smaller receipts to an 8 ½ x 11 inch sheets of paper
- 3) Submit the completed Relocation Expense Reimbursement form and original receipts to the Hiring Manager
- 4) Hiring Manager and/or Budget Manager must review form, receipts, and offer letter before submitting approved forms to Payroll Services (or to Dean's Office, if faculty)
- 5) Payroll and Tax Services will review the expenses to determine if they are non-taxable or taxable
- 6) After review, Payroll Services will issue the reimbursement on the employee's next paycheck

Non-taxable – Qualified relocation expense reimbursements will not be included as taxable wages, but will be recorded on the employee's form W-2 in Box 12 with code "P" (excludable moving expense reimbursement paid directly to employee).

For a relocation reimbursement expense to qualify as non-taxable, it must meet the following criteria:

- **Distance test** – if the distance between the old residence and new job is 50 miles or more than the distance between the old residence and old job
- **Time test** – you must work full-time for at least 39 weeks during the first 12 months after moving

If both the distance and time test are met, the reimbursement is non-taxable. For more detail on non-taxable and taxable relocation expenses, refer to IRS Publication 521 (Moving Expenses) on the Internal Revenue Service website (www.irs.gov).

Non-taxable relocation expenses might include reasonable expenses for:

- Moving van for household goods and personal effects
- Final transportation expense to move into the employee's new home

Taxable – Nonqualified relocation expense reimbursements will be included as taxable wages in the following boxes of the employee's form W-2 with appropriate taxes withheld from the reimbursement:

- Box 1 – Wages, tips, other compensation
- Box 3 – Social security wages
- Box 5 – Medicare wages and tips
- Box 16 – State/local wages, tips, etc

The employee's federal and state W-4 information, such as marital status and number of dependents, determine the rate at which the individual's gross income is taxed on his or her paycheck.