The Ledger

A Newsletter of the University Controller's Organization
Website: http://www.controller.vt.edu

Vol. E, No. 139 September 7, 2018

University streamlines moving and relocation payment process

Virginia Tech will roll out a simpler, more efficient process in response to recent changes with the Tax Cuts and Jobs Act.

In response to a recent change in federal tax laws, Virginia Tech is implementing changes to its moving and relocation reimbursement procedures for eligible faculty and staff. The university will transition from reimbursing employees for moving and relocation expenses to providing a stipend to eligible employees to assist with such expenses.

For eligible employees who accept employment offers after October 1, the university will provide a moving and relocation stipend intended to assist with related moving and relocation expenses. No additional moving and relocation reimbursements or payments to vendors for moving costs will be processed by the university.

This new stipend model will simplify the moving and relocation procedure and better serve employees throughout the move process. The university will have a phased approach to implementing the new procedures for employees who have recently relocated. Once fully implemented, the new procedure will accelerate payments to eligible employees (within 30 days of their start date). It will also eliminate the requirements to execute separate moving and relocation agreements and to provide supporting documents for reimbursement.

Stipends will be fully taxable income, per a provision in the Tax Cuts and Jobs Act, and will be limited to one per household. The amount of the stipend will continue to be negotiable, but should still be related to the expected costs for the relocation which are impacted by the distance from the employee's former residence, and be limited by the scope of responsibilities of the employee's job and the portion of the estimated costs that the department is willing to fund.

The university has established dollar amount ranges that department heads are authorized to offer for each category of employee (See **Attachment A, Moving & Relocation Stipend**

Payment Guidelines for a list of these ranges and approval requirements). Employees will have full discretion over how they choose to spend the net amount of the stipend.

For employees who have recently relocated, the university will have a phased approach to implementing the new procedures. This phased approach is outlined in greater detail below and in **Attachment B, Illustrative Scenarios & Potential Impact**.

Many existing requirements related to moving and relocation will remain in place. For example, the following eligibility criteria still apply:

- The employee must be hired into a full-time salaried position; and
- The relocation must be at the university's request, not for the convenience of the employee; and
- The distance between the employee's new work location and the former residence must be 50 miles greater than the distance between the employee's old location and the former residence.

Additionally, should the faculty or staff member fail to remain in employment for a minimum period of one year from the start date, they will be required to repay to the university a prorated portion of the stipend amount, such that for each full month during which they remained employed at the university, the amount to be repaid shall be reduced by one-twelfth (1/12) of the total stipend.

With all moving and relocation expenses becoming federally taxable income as of January 1, 2018, there are potentially significant impacts for some employees. Employees who relocated sometime during 2018 and signed a moving and relocation agreement are encouraged to review the below information to determine what – if any – impact these changes may have.

Please reach out to Valerie Jones at jonesvl@vt.edu or 231-8617 with any questions or concerns about changes related to reimbursements and payments to moving companies. Erin Evans at erin20@vt.edu or 231-7844 in the Payroll Office will be also be reaching out to affected employees in the coming weeks with additional information about how these changes will impact their paychecks.

WHAT IS CHANGING?

The university will no longer reimburse employees for the actual costs of moving and relocation incurred by the employee. The university will also no longer pay for moving costs on behalf of employees (such as paying common carriers or moving companies).

Instead, the university will offer a moving and relocation stipend to eligible employees to help offset these costs. This stipend will be paid within 30 days of the employee's start date. The university has established dollar amount ranges for stipends that department heads are authorized to offer for each category of employee (See **Attachment A, Moving & Relocation Stipend Payment Guidelines**).

Additional reviews and approvals will be required should a department wish to exceed these ranges.

Separate moving and relocation agreement forms will no longer be required for faculty and staff. Instead, additional language specifying the amount, terms, and conditions for the moving and relocation stipend have been added under the "Other Terms of This Appointment" section of the Terms of Faculty Offer (TOFO) or the Offer Letter for University Staff Positions (OLUSP).

WHY IS VIRGINIA TECH MAKING THIS CHANGE?

All costs related to moving and relocation are now federally taxable income, per a provision in the Tax Cuts and Jobs Act that became effective January 1, 2018.

The university is leveraging this new legislation to streamline its moving and relocation procedures and better serve employees throughout the move process. Stipends will be issued to eligible employees more quickly than reimbursements, and employees will no longer need to fill out a separate moving and relocation agreement in addition to their offer letters.

HOW DOES THIS AFFECT EMPLOYEES WHO RELOCATED TO VIRGINIA TECH DURING 2018?

How much will be withheld for taxes?

Employees who signed moving and relocation agreements and relocated to Virginia Tech in 2018 have already seen or will see an impact on their tax withholdings. Whether through a stipend, a reimbursement, or a payment made on behalf of the employee, all such items are now included as taxable income and therefore are subject to tax withholdings.

Generally, though not always, the tax amount withheld will be approximately 35.4 percent of the total taxable income. This is based on the following rates:

- 22.0 percent for Federal Income Taxes
- 5.75 percent for State Income Taxes
- 7.65 percent for Social Security

How this ultimately impacts individual employees will vary. Due to the unique circumstance of each employee, the total tax amount withheld from employee's paycheck probably will not be the same as the employee's actual tax amount due at the end of the year.

How will the transition to a stipend process occur?

Because the change in the tax law was sudden and significant, the university has developed a phased approach to the implementation of the new process. For all phases, employee eligibility requirements remain in effect, as does the requirement for the employee to repay the university for any amounts related to moving and relocation if they do not remain in the employment of the university for a minimum period of one year from the start date. There are essentially 3 phases to implementation:

Phase 1: Employees who signed their TOFO or OLUSP and moving and relocation agreement before March 1, 2018.

The net financial impact of these changes on employees in Phase 1 should be negligible.

- Transactions for Phase 1 will be initiated by the department and processed through the Travel & Expense System.
- Due to each employee's unique relocation circumstances and activities, some employees' situations will be treated under the provisions of the previous tax law, while others will be treated under the provisions of the new 2018 tax law.
- Because of these situational complexities, employees are encouraged to review **Attachment B, Scenarios 1-5** at the end of this document to determine if they will be treated under the older or newer tax law provisions and to see examples of the potential tax implications.

Phase 2: Employees who signed their TOFO or OLUSP and moving and relocation agreement between March 1, 2018 and September 30, 2018.

- Transactions for Phase 2 will be initiated by the department and processed through the Travel & Expense System.

- To transition the moving and relocation process for these employees, the university is implementing a "hybrid" approach that includes concepts from the prior reimbursement model and the new stipend model.
- The specific principles of this "hybrid" approach are best explained through illustrative examples. Faculty and staff are encouraged to review **Attachment B, Scenarios 6 and 7** at the end of this document for examples of potential effects of the change.

Phase 3: Employees who sign the new TOFO or OLUSP on or after October 1, 2018.

- Effective October 1, 2018, the university will begin issuing moving and relocation stipends for eligible new employees to be payable within 30 days after the start of employment.
- Transactions related to Phase 3 stipend payments will be initiated and processed through Banner HR.
- If a stipend is offered to an eligible employee, there is additional standard language which is required to be included in the TOFO for faculty or the OLUSP for staff. The new language includes the requirement for the employee to repay the stipend to the university if they do not remain in the employment of the university for a minimum period of one year from the start date. Should the faculty or staff member fail to remain in employment for that period, they will be required to repay to the university a prorated portion of the stipend amount, such that for each full month during which they remained employed at the university, the amount to be repaid shall be reduced by one-twelfth (1/12) of the total stipend.
- Additional language and approval signature lines have also been added to the TOFO and OLUSP if the moving and relocation stipend exceeds the departmental limits established in the Moving & Relocation Stipend Payment Guidelines.
- Separate moving and relocation agreements will no longer be required.

WHO SHOULD EMPLOYEES CONTACT WITH QUESTIONS?

Please reach out to Valerie Jones at jonesvl@vt.edu or 231-8617 with any questions or concerns about changes related to reimbursements and payments to moving companies. Erin Evans at erin20@vt.edu or 231-7844 in the Payroll Office will be also be reaching out to affected employees in the coming weeks with additional information about how these changes will impact their paychecks.

ATTACHMENT A:
MOVING & RELOCATION STIPEND PAYMENT GUIDELINES

Appointment Type, as per TOFO/Staff Offer letter by Banner HR "P-Class" (PCLS) code ranges	Position Level	Impact	Maximum Limit for Department Head Approval	Plus the Dean or VP Approval if	Plus the VP for Finance Approval if
Administrative Faculty (PCLS 011xx)	President, Provost, Dean, Vice President and role similar to Assistant and Associate VP, Assistant and Associate Provost, Assistant and Associate Dean	Leadership/Highly Strategic Unit/Department Top Position	Up to $25,000	Between $25,001 and $30,000	Greater than $30,000
Professional Managerial Faculty (PCLS 012xx) Ranked Faculty Associate Professor and above (PCLS xxxx5 - xxxx9) Research Faculty PCLS from xxxx1-2	Director, Senior Director, Tenured Faculty	Unit Management/Program Lead Not Top Management Position for unit/department but high impact to success of program	Up to $20,000	Between $20,001 and $24,000	Greater than $24,000
Professional Managerial Faculty (PCLS 012xx) Ranked Faculty Lecturer to Assistant Professor (PCLS xxxx1 - xxxx4) Research Faculty PCLS from xxxx3,4,5,6,8,9,0)	Team Leader, Manager	May/may not have supervisor responsibility for team Medium to high project/program impact on success of project/program	Up to $15,000	Between $15,001 and $18,000	Greater than $18,000
Staff, bands 4 and higher. Postdocs (PCLS xxxx7)	Professional	Medium to high impact on program Unique skill set/unique situation/transfer	Up to $5,000	Between $5,001 and $6,000	Greater than $6,000
Staff, bands 1 -3	Non-Exempt	Hard to fill positions with small applicant availability	Up to $5,000	Between $5,001 and $6,000	Greater than $6,000
Staff, bands 1 - 3	Non-Exempt	Limited	None	None	None

Note 1: Stipend amount should still be based on estimated costs to relocate and the portion of these costs the university is willing to fund. Stipends are only available to eligible employees. The eligibility criteria are as follows: • The employee must be hired into a full-time salaried position, and • The relocation must be at the university's request, not for the convenience of the employee, and • The distance between the employee's new work location and the former residence must be 50 miles greater than the distance between the employee's old location and the former residence
Note 2: Payment of the relocation assistance stipend will be made to the employee within the first 30 days of employment.
Note 3: If the employee discontinues university employment before the obligated one year of service, the employee will refund to the university the gross amount of relocation assistance. The amount to be repaid will be prorated on a monthly basis such that for each full month during which the employee remains in the employment of the department, the amount to be repaid will be reduced by one-twelfth (1/12) of the gross reimbursement.
Note 4: All relocation assistance stipends paid must be approved by the respective department head. Payments up to 20% above the listed maximum also requires the approval of the respective dean or vice-president. Payments more than 20% above the maximum range, must also be approved by the VP for Finance and Chief
Note 5: All relocation assistance stipends paid to department heads, deans, or vice presidents would need to be approved by the next level of management.

ATTACHMENT B:
ILLUSTRATIVE SCENARIOS & POTENTIAL IMPACT

Phase 1: Eligible employees who signed their TOFO or OLUSP and moving and relocation agreement **before March 1, 2018 (All terms and conditions of the moving and relocation agreement still apply).**

SCENARIO 1: **IF** the individual signed a Terms of Faculty Offer (TOFO) or Offer Letter for University Staff Positions (OLUSP) and moving and relocation agreement in 2017
AND the individual relocated in 2017
AND the individual and common carrier was paid in 2017
THEN... the payment was processed based on the previous taxation laws; **No impact to the individual for the 2018 tax year**

SCENARIO 2: **IF** the individual signed a Terms of Faculty Offer (TOFO) or Offer Letter for University Staff Positions (OLUSP) and moving and relocation agreement in 2017
AND the individual relocated and incurred cost in 2017
AND the individual was reimbursed in 2018
THEN... the payment was processed based on the previous taxation laws; **No impact to the individual for the 2018 tax year**

SCENARIO 3: **IF** the individual signed a Terms of Faculty Offer (TOFO) or Offer Letter for University Staff Positions (OLUSP) and moving and relocation agreement in 2017
AND the individual relocated in 2017
AND a Common Carrier was paid in 2018

THEN… the individual would receive a gross up payment amount to cover taxes on payments that were not previously taxable. Reimbursements that were previously taxable under the old law will not be grossed up.

SCENARIO 4: **IF** the individual signed a Terms of Faculty Offer (TOFO) or Offer Letter for University Staff Positions (OLUSP) and moving and relocation agreement in 2017

AND the individual relocated in 2018

AND the individual and Common Carrier were paid in 2018

THEN… the individual would receive a gross up payment amount to cover taxes on payments that were not previously taxable. Reimbursements that were previously taxable under the old law will not be grossed up.

SCENARIO 5: **IF** the individual signed a Terms of Faculty Offer (TOFO) or Offer Letter for University Staff Positions (OLUSP) and moving and relocation agreement **between January 1, 2018 and February 28, 2018**

AND the individual relocated in 2018

AND the individual and Common Carrier were paid in 2018

THEN… the individual would receive a gross up payment amount to cover taxes on payments that were not previously taxable. Reimbursements that were previously taxable under the old law will not be grossed up. The university will still make payment to common carriers but will gross up employee income and taxes for the payments.

Phase 2: For eligible employees who signed their TOFO or Offer Letter for University Staff Positions (OLUSP) and moving and relocation agreement **between March 1, 2018 and September 30, 2018.**

The "hybrid" approach and Scenarios 6 and 7 are best understood through illustrative examples. Faculty and staff who fall under these scenarios are encouraged to review these scenarios with their own unique situation and financial arrangements in mind. The examples assume scenarios for a faculty member, but these illustrations would be applicable to staff as well. Additionally, the amounts in all the scenarios are subject to repayment if they do not remain in the employment of the university for a minimum period of one year from the start date.

SCENARIO 6a: Assume a faculty member signed their TOFO and moving and relocation agreement on June 15, 2018. The moving and relocation agreement stated the university would reimburse the faculty member up to $15,000 for qualified moving expenses and this amount included any payments to common carriers (moving companies). Further, assume that the university paid the moving company $7,000 on August 15, 2018 for this faculty member, and reimbursed them $500 on August 20, 2018 for other qualified moving expenses.

Under this scenario, the hybrid approach would be implemented as follows:

Maximum Amount from the Moving & Relocation Agreement	$15,000
Less: Payment to Moving Company by University	($7,000)
Less: Additional Moving Reimbursements Paid to Faculty (if any)	($500)
Less: Taxes withheld ($15,000 * 35.4%)	($5,310)
Net Additional Amount Due **TO** Faculty – will be paid out to faculty in a one-time payment.	$2,190

SCENARIO 6b: Now assume the same conditions as above except that the university paid the moving company $10,000, rather than $7,000.

Maximum Amount from the Moving & Relocation Agreement	$15,000
Less: Payment to Moving Company by University	($10,000)
Less: Additional Moving Reimbursements to Faculty (if any)	($500)
Less: Taxes withheld ($15,000 * 35.4%)	($5,310)
Net Additional Amount Due **FROM** Faculty – will be withheld	($810)

from subsequent paychecks	

SCENARIO 7a: Assume the same facts as Scenario 6a, but the faculty member elected to defer having the moving company actually move their household goods until November 30, 2018. In this case, the Accounts Payable and Payroll Offices will work with the individual faculty member on a case-by-case basis, but the goal is to use the hybrid approach such that the faculty member, not the university, would pay the moving company, and the university would pay the faculty member the hybrid amount net of taxes. Therefore, Scenario 7a would be as follows:

Maximum Amount from the Moving & Relocation Agreement	$15,000
Less: Payment to Moving Company by University (To Be Paid by Faculty Directly to the Moving Company)	$0
Less: Additional Moving Reimbursements to Faculty (if any)	($500)
Less: Taxes withheld ($15,000 * 35.4%)	($5,310)
Net Additional Amount Due **TO** Faculty *	$9,190

* NOTE: The faculty member would be able to pay the moving company the assumed $7,000 and still have the same net amount of $2,190 as in Scenario 6a to be used at their discretion to cover other costs.

SCENARIO 7b: Now assume the same conditions as above except that the faculty member's moving costs are $10,000, instead of $7,000. This scenario would be as follows:

Maximum Amount from the Moving & Relocation Agreement	$15,000
Less: Payment to Moving Company by University (To Be Paid by Faculty Directly to the Moving Company)	$0
Less: Additional Moving Reimbursements to Faculty (if any)	($500)
Less: Taxes withheld ($15,000 * 35.4%)	($5,310)
Net Additional Amount Due **TO** Faculty *	$9,190

* NOTE: The faculty member would have the same net result as Scenario 6b. However, instead of having additional taxes withheld from subsequent pay checks, the faculty member will have to pay the moving company the full $10,000, which would be an additional $810 over the hybrid amount received (the assumed $10,000 total less the amount due to faculty, $9,190).

Phase 3: Eligible Employees who signed their new TOFO or OLUSP **ON or AFTER October 1, 2018 (The offer must include the new language and approvals related to moving and relocation stipend, if applicable).**

SCENARIO 8: **IF** the individual signed a Terms of Faculty Offer (TOFO) or Offer Letter for University Staff Positions (OLUSP) on or after October 1, 2018
AND the individual relocated on October 1, 2018 or thereafter
THEN… the eligible individual may receive a moving and relocation stipend payment net of taxes. The stipend will be paid within 30 days of the individual's start date. The amount of the stipend should be related to the expected costs of relocation, be at the discretion of the hiring department, and in accordance with the Moving & Relocation Stipend Payment Guidelines.