1270 – University of North Carolina at Chapel Hill Policy on Employee Moving Expense Reimbursement

Purpose

The policy is to clarify the regulations for moving expense reimbursement. Due to legislation changes in the 2017 Tax Cuts and Jobs Act which reinstated personal moving expense payments as taxable wages, the University policy and procedure have been updated.

Scope of Applicability

This policy applies to departments who are engaging in the recruitment of highly qualified and/or highly recruited individuals and the payment made to relocate the individual for employment.

Policy Statement

Moving expenses for new employees may be reimbursed if the employing department considers the expense necessary to employ a highly qualified and/or highly recruited individual. The payment for moving household and personal goods includes items such as furniture, clothing, and personal effects, and is limited to packing, transporting, and unpacking a maximum of 15,000 pounds. The move must be accomplished within 90 days.

Reason for Policy

The policy is to clarify the regulations for moving expense reimbursement.

Exclusions

None

A moving expense reimbursement may be issued to a new permanent employee if the employing department considers the expense necessary to employ a highly qualified and/or highly recruited individual. The University will reimburse actual and reasonable moving expenses from the employee’s prior residence to new residence. The University continues to reference IRS publication 521 (2017 edition) when considering what is a reasonable moving expense unless it is explicitly mentioned in this policy. Reasonable moving expenses, up to a limit of packing, transporting, and unpacking a maximum of 15,000 pounds, include the moving of household goods and personal effects (including in-transit or foreign-move storage expenses), and traveling to the new residence.
home. This includes lodging and meals. The reimbursement of the move should occur within 6 months of the first date of employment.

Due to legislation changes in the 2017 Tax Cuts and Jobs Act which reinstated personal moving expense payments as taxable wages, the University is no longer issuing direct payments to vendors for moving expenses. Departments should increase the reimbursement of actual moving expenses by 30% to mitigate the tax impact to the employee. The total payment cannot exceed the amount agreed upon in the employee's offer letter.

Related Requirements

University Standards and Procedures

The Office of Human Resources policy on Non-Salary & Deferred Compensation. https://hr.unc.edu/employees/class-comp/policies/non-salary/

Special Situations

Moving expenses are not reimbursable from State funds.

Moving expenses cannot be paid from Sponsored Research funds unless specifically allowed by the granting agency.

Exception Requests

Clarifications on the policy and reasonable moving expenses should be directed to Payroll Services.

Compensation related exception requests should be rare and receive prior approval from the Academic Personnel Office for faculty members and the Office of Human Resources for other employees.

Procedures

- [1270.1](#) - University of North Carolina at Chapel Hill Procedure on Reporting Moving Expenses for Reimbursement

Additional Information

Frequently Asked Questions

Q: May the department reimburse a SPA employee for moving expenses?
A: Yes, if the employee has a specialized skill that is necessary to the department's function.

Q: May the department reimburse a temporary employee for moving expenses?
A: No. Since a competitive recruitment is not a condition of employment, temporary employees do not qualify for moving expense reimbursement.

Q: Does the department reimburse moving mileage at the state mileage rate or the IRS mileage rate?
A: Mileage and subsistence per diems do not apply for moving expenses. Fuel purchased for vehicles must be substantiated by receipts.

Q: May I reimburse the department's new faculty member for boarding their pets while they are in a hotel waiting for their personal goods to be delivered?
A: No, this is a personal expense.

Q: Why is FICA tax deducted from a moving expense reimbursement when it is reported to Payroll?
A: While the University may reimburse an employee for all moving expenses, the IRS considers some of these expenses to be non-deductible and therefore subject to FICA.

A: Due to changes in the tax reform law, the University must treat moving expense reimbursements as taxable compensation, which is subject to FICA.

Q: IRS publication 521 (2017 edition) mentions non-deductible expenses, can those now be reimbursed?
A: Unless explicitly stated in the policy above, non-deductible expenses should be considered non-reimbursable.

Q: Can an employee be reimbursed for the purchase of personal property?
A: No, an employee cannot be reimbursed for the purchase of personal property. Customary moving consumables such as boxes, tape, and packing paper can be reimbursed.

Q: May any fund source be used to pay for moving expenses?
A: Not all fund sources may be used to pay for moving expenses as indicated below.

- Appropriated State Funds and Receipts-Supported State Funds – Moving expenses for new employees may not be paid from State Funds.
- Facilities and Administrative Receipts – Moving expenses may be paid for faculty and research staff only.
- Sponsored Research Awards – Moving expenses for new employees may not be paid unless specified in the contact or grant award.
- Trust Funds (Gifts, Endowment Income, Investment Income) – Moving expenses may be paid as consistent with the fund authority.
- Internal Service Funds (Recharge Centers) – Moving expenses for new employees may not be paid.
- Student and Institutional Auxiliaries and Health Care Clinics – Moving expenses may be paid as consistent with the fund authority.

Q: If an employee is reimbursed for moving expenses and the amounts are included on the employee's W-2 form, is the full amount taxable?
A: There are several factors that impact the deductibility of moving expenses. The reader should refer to IRS Publication 521 on Moving Expenses for tax guidance. The publication explains the three requirements that must be met for moving expenses to be deductible:

- The move must be closely related to the start of work.
- The move must meet the distance test.
- The move must meet the time test.

IRS Publication 521 provides detailed guidance. In general terms, expenses that are deductible (i.e. "qualified") include:

- Moving household goods and personal effects.
- Lodging while traveling to the new home.

Expenses that are not deductible (i.e. "non-qualified") include:

- Meals while traveling to the new home.
- Pre-move house hunting expenses.
- Return trips to the former residence.
Procurement Services provides information on moving expenses to Payroll Services for Form W-2 reporting. IRS Publication 521 indicates the following requirements for W-2 reporting:

- Qualified moving expenses that the University paid to a third party on behalf of the employee (for example, to a moving company) are not reported on Form W-2.
- Qualified moving expense reimbursements paid directly to an employee by the University are reported only in information box 12 of Form W-2 with code P to indicate moving expenses.
- Nonqualified moving expense reimbursements are reported in boxes 1, 3, 5, and 16 of Form W-2 as income. These amounts are subject to income taxes and FICA taxes.

Q: Should business related moves, such as moving a research lab, follow this process?
A: This policy only covers employee household moves. Please use campus vouchers to process business related moves. Contact Accounts Payable at accountspayable@unc.edu with questions about this move. Concurrent business and personal moves should be handled via separate contracts since

Related Data

State of North Carolina Budget Manual – Section 6.6
IRS Publication 521 Moving Expenses

Contacts

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<tr>
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<tr>
<td>Moving expense</td>
<td>Purchasing Services</td>
<td>919-962-3774</td>
<td>919-962-0636</td>
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<tr>
<td>Moving expense</td>
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<td>919-843-5098</td>
<td>919-962-2356</td>
<td><a href="mailto:accountspayable@unc.edu">accountspayable@unc.edu</a></td>
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POLICY CONTACT(S)
Payroll Services 919-962-0047 payroll@unc.edu

OTHER CONTACTS

Academic Personnel Office 919 962-1091

Office of Human Resources 919 843-2300 hr@unc.edu

History

Revised:

April 20, 2018: Updated Disbursement Services to Accounts Payable and updated email.
September 27, 2017: Added question to FAQs re: denial of payments to temporary employees for moving expenses.
December 10, 2010

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## Approval Signatures

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<tr>
<td>Finance Policy and Communication Subcommittee</td>
<td>Janet Kelly-Scholle: Associate Director</td>
<td>pending</td>
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<tr>
<td>Payroll Director</td>
<td>Walter Miller: Director of Payroll Services</td>
<td>6/8/2018</td>
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<tr>
<td>Payroll Manager</td>
<td>Stephanie Kidd: Payroll Manager</td>
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