



# Policy and Regulations Governing Moving and Relocation

**Responsible Officer:** Executive Vice President-Chief Financial Officer

**Responsible Office:** Financial Management

**Effective Date:** March 30, 2012

**Date of Last Review:** March 31, 2010

**Scope:**

- This policy applies to the Payment of moving expenses for the University's Managers and Senior Professionals (MSP) and Professional and Support Staff (PSS) personnel.
- This policy does not apply to Personnel at the Lawrence Berkeley National Laboratory.
- Senior Management Group (SMG) and academic personnel are addressed in separate policies.

**Contact:** John Barrett

**Email:** [john.barrett@ucop.edu](mailto:john.barrett@ucop.edu)

**Phone #:** 510-987-0903

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## I. POLICY SUMMARY

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It is the policy of the University to comply with Internal Revenue Service (IRS) regulations concerning the reimbursement of moving expenses.

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## II. POLICY DEFINITIONS

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### A. *Members of Household*

Internal Revenue Service (IRS) Treasury Regulation Section 1.217-2(b)(10) defines "members of the household" as other individuals who are members of the taxpayer's household, and who have the taxpayer's former residence and the taxpayer's new residence as their principal place of abode. A member of the taxpayer's household is any individual, including a domestic partner, residing at the taxpayer's residence who is neither a tenant nor an employee of the taxpayer.

### B. *Moving Expenses*

Moving expenses eligible for payment are defined in Internal Revenue Code (I.R.C.) Section 217(b)(1) as the *reasonable costs (or expenses)* incurred by a new appointee, or by a current employee who transfers to a new University location, of moving household goods and personal effects to a new residence. Such expenses also include the cost of travel to the University location for the individual and the members of his or her household, as authorized in I.R.C. Section 217(b)(2). Section III.A.2. details the specific moving expenses that may be paid for the personnel positions covered by this Bulletin. Although the University may pay all or part of an individual's moving expenses, a portion of the payment may constitute taxable wages (see Section III.B.2 for examples of taxable moving expenses).

### C. *Reasonable Costs (or expenses)*

IRS Treasury Regulation Section 1.217-2(b)(2) includes as reasonable costs those costs or expenses that are reasonable under the circumstances of a particular move, i.e., a move from the old to the new residence must be made via a conventional mode of transportation using the shortest and most direct route available and in the shortest period of time normally required to travel such a distance.

### D. *Relocation Allowance*

Unlike moving expense reimbursement, a relocation allowance is not intended to reimburse the actual costs of moving from one location to another. A relocation allowance payment is intended to offset higher living costs in a new location; however, the total value of such a payment may not exceed 25% of an appointee's annualized

base salary. Payment is generally made on a monthly basis over a four-year period, with 40% of the allowance paid in the first year, 30% in the second year, 20% in the third year, and 10% in the fourth year. The University is required to report such payments as additional wages subject to withholding for applicable income, social security, and Medicare taxes. Relocation allowance payments will be funded by appropriate funding sources, including General Funds. Relocation allowance payments are excluded from covered compensation under the University of California Retirement Plan.

Relocation allowances may be provided to individuals recruited for MSP positions within California; however, eligibility is limited to individuals who, at the time of recruitment, are not employed by the University and who reside outside of California.

**E. *Primary Residence (or Principal Residence)***

The principal dwelling where the employee actually lives and is considered as the legal residence for income tax purposes.

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### **III. POLICY TEXT**

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**A. *Reimbursement of Moving Expenses***

The reimbursement of moving expenses is at the sole discretion of the University and is subject to the availability of funds. Departments may pay all or a portion of such expenses. Chancellors may establish local provisions that are more restrictive than those in this Bulletin. In addition, the terms of a collective bargaining agreement shall govern when such terms do not conform to the provisions contained in this Bulletin.

The eligibility requirements for the payment of moving expenses for a new appointee or a current employee, in an MSP or PSS position, and a description of the types of expenses that may be paid, are detailed below:

1. Eligibility for Reimbursement

Actual moving expenses may be paid for new appointees to certain nonacademic positions requiring specialized training and/or experience of a technical, professional, or administrative nature. The new appointee must reside outside the commuting distance of the campus to which he or she has been appointed. Moving expenses shall also be paid by the University when a current employee is required to transfer or accepts a position, including a position at the same grade or a lower grade, at a campus outside a reasonable commuting distance.

## 2. Reimbursable Expenses

Actual and necessary moving expenses are eligible for reimbursement, including the following:

- The cost of packing, crating, transporting, unpacking, and uncrating the appointee's household goods and personal effects. Such costs are limited to one household move per appointee.
- Actual and reasonable expenses related to insurance for the household goods while in transit, if incurred within any 30-day period after removal of the household goods and effects from the former primary residence.
- Actual and reasonable storage costs for household goods and personal effects for up to 30 days immediately after removal from the primary residence.
- Actual and reasonable expenses related to moving two personal motor vehicles per household (which may include motorcycles but excludes the vehicles listed below). The vehicles may be shipped or driven. If the appointee decides to drive his or her personal vehicle, the appointee will be reimbursed at the mileage rate published in BFB [G-28, Appendix A](#).
- Actual travel expenses for the individual and his or her immediate family, but not to exceed the cost of air coach transportation. If the appointee claims meal costs en route, those costs must be reimbursed in accordance with BFB [G-28](#).
- The cost of furnished temporary lodging for up to 30 days and meals for up to 30 days of residence in the temporary lodging if it does not have cooking facilities. Such reimbursements will be made in accordance with BFB [G-28](#).

The following costs are not reimbursable:

- Assembly and disassembly of unusual items such as swing sets, swimming pools, satellite dishes, hot tubs, and storage sheds.
- Animals (except for household pets consisting of domesticated animals normally kept or permitted in a residence) or the costs associated with kenneling of pets.
- Motorized recreational vehicles, including boats, kayaks, canoes, airplanes, camping vehicles, snow machines, and jet skis.
- Canned, frozen, or bulk foodstuffs.
- Building supplies, farm equipment, and firewood.
- Plants.

All moves of the employee and members of his or her household should be completed within one year of the date an appointee first reports to the new job, even if his or her appointment date was effective prior to the report date.

### **B. *Tax Treatment of Moving Expenses***

#### 1. Nontaxable Expenses

Under I.R.C. Section 132(g) and related IRS Treasury regulations, nontaxable (i.e., deductible) moving expenses reimbursed by an employer, or paid to a third party on behalf of an employee, are excludable from an employee's gross income provided the move is closely related to the start of work and meets both the time and distance

tests under I.R.C. Section 217(c). Unless all *three* requirements are met, any payments made for moving expenses will be taxable and must be reported as specified in Section V.A.

a. Related to the Start of Work

The move must be made in connection with the commencement of work at a new job location and the moving expenses must be incurred within one year from the time the employee first reports to the new job.

b. Time Test

During the 12-month period immediately following the move, the individual must be employed full-time for at least 39 weeks.

c. Distance Test

The distance between the individual's new job location and his or her former principal residence must be at least 50 miles more than the distance between the individual's previous work location and his or her former principal residence.

The following *reasonable expenses* are nontaxable:

- The cost of moving household goods and personal effects (including in-transit or foreign-move storage expenses); and
- Expenses (including lodging but excluding meals) incurred in traveling from the former residence to the new residence.

Nontaxable amounts that are not reimbursed by the University may be eligible for deduction as an above-the-line deduction (i.e., not subject to the 2% floor for miscellaneous deductions) on the employee's income tax return under I.R.C. Section 62(a)(15).

## 2. Taxable Expenses

Any reimbursement of, or payment to a third party for taxable (i.e., nondeductible) moving expenses must be included in an individual's gross income as additional wages.

Listed below are examples of taxable expenses:

- Meal expenses incurred while moving from the old residence to the new residence;
- Meals and lodging charges incurred while occupying temporary quarters in the area of the new job location;
- Storage charges, except those incurred in transit and for foreign moves; and
- Mileage reimbursements in excess of the rate published in BFB [G-28, Appendix A](#).

Information concerning the University's tax reporting requirements applicable to moving expense payments is included in Section V.A.4.

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## IV. COMPLIANCE / RESPONSIBILITIES

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Function	Responsibilities
Executive Vice President-Chief Financial Officer	<ul style="list-style-type: none"> <li>• Establishing and updating the policies set forth in this Bulletin.</li> </ul>
Department Heads	<ul style="list-style-type: none"> <li>• Approving the payment of moving expenses and relocation payments in accordance with the procedures contained in this Bulletin.</li> </ul>
Campus Controller's Office	<ul style="list-style-type: none"> <li>• Verify that the amounts claimed are allowable by reviewing all supporting documentation.</li> <li>• Ensure that the documents were properly approved prior to making a payment.</li> <li>• Ensure that adequate post audit reviews are performed.</li> <li>• Ensure that such payments are tax coded appropriately.</li> </ul>
Chancellors	<ul style="list-style-type: none"> <li>• May establish local provisions that are more restrictive than those in this Bulletin.</li> </ul>
<ul style="list-style-type: none"> <li>• Executive Vice President-Business Operations</li> <li>• Vice President-Agriculture and Natural Resources</li> <li>• Principal Officers of The Regents</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that the authorities and responsibilities assigned to the Chancellor for the reimbursement of moving expenses are enforced for the employees its jurisdiction.</li> </ul>

<b>Payment Approval Authority</b>	<b>Exceptions Permitted</b>	<b>Exception Approval Authority</b>	<b>Comments</b>
<p>Department Head</p> <p>Have the authority to approve payment of the actual moving expenses of new appointees and current employees eligible to receive such payments under this Bulletin.</p> <p>This authority must be documented by a signature authorization card on file with the campus accounting office or by an equivalent electronic signature authorization.</p> <p>Chancellor</p> <p>Executive Vice President-Business Operations</p> <p>Authorized to approve relocation allowances. Any further re-delegation of this authority must be submitted in writing to the appropriate.</p>	<p>Yes</p>	<p>Exceptions may be authorized by the Chancellors; Executive Vice President-Business Operations; Vice President-Agriculture and Natural Resources; Principal Officers of The Regents; or their designees.</p>	<p>The exception request must specify the purpose, circumstances or need, applicable dates, and the name of the individual to whom the exception is granted. When an exception has been granted, the reimbursement of expenses claimed shall be limited to the actual costs incurred, provided such costs are deemed to be ordinary and necessary under the circumstances. Claims for the reimbursement of actual expenses must be supported by original receipts or electronic receipts as provided in Section V.A.3.</p>

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## V. PROCEDURES

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### A. *Payment Procedures*

The following procedures govern the payment of cash advances and reimbursements to an appointee, or direct payment by the University to a moving vendor.

#### 1. Advance Payments

Normally, payments made in advance to a new appointee or a current employee for moving expenses should not exceed 75% of the total estimated reimbursement. The Chancellor or his or her designee may approve an exception when, in the judgment of the approving official, the best interests of the University would be served. Such payments are treated as advances and must be accounted for within a reasonable period of time after the move is completed. Refer to BFB [G-28](#) for procedures applicable to recording uncleared advances.

#### 2. Payments Made Directly by the University

The University may pay the cost of transporting the household goods and personal effects of a new appointee or a current employee directly to a common carrier or household mover. The individual, however, must use a common carrier from the University's preferred vendor list. Such payments must be requisitioned using a purchase order.

#### 3. Reimbursement Payments

A request for reimbursement of moving expenses must be submitted to the accounting office on a Travel Expense Voucher (or an equivalent electronic form). The expenses must be listed in detail, supported by original receipts or equivalent electronic receipts that contain the same level of detail as an acceptable paper receipt, and approved by the employee's department head or other authorized official. Common carrier expenses may be reimbursed if the carrier is included on the University's preferred vendor list.

#### 4. Tax Reporting

##### a. Nontaxable Amounts

Although amounts *paid directly to an employee* for the reimbursement of nontaxable moving expenses are excludible from the employee's gross income, the IRS requires that the University report such expenses on the employee's Form W-2. *Nontaxable expenses paid directly to a third party* (such as a moving company) on behalf of an employee or a new appointee, and services that an employer furnishes in kind to an employee, are **not** reportable on the employee's W-2.

b. Taxable Amounts

Amounts paid for taxable moving expenses, *whether or not they are paid directly to an employee*, are includible in an employee's gross income, subject to withholding of applicable income, social security, and Medicare taxes. Such amounts must be tax coded for reporting on the employee's W-2.

Accounting Manual chapter [D-371-12.1](#), Accounting For and Tax Reporting of Payments Made through the Vendor System, provides additional information on processing moving expense payments, including the appropriate tax codes for such payments.

IRS Publications [521](#), Moving Expenses, and [535](#), Business Expenses, contain additional information on moving expenses.

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## VI. RELATED INFORMATION

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- Academic Personnel Manual Section [550](#): Recruitment, Moving Expenses for Intercampus Transfer
- Academic Personnel Manual Section [560](#): Recruitment, Removal Expenses/General
- Academic Personnel Manual Section [561](#): Recruitment, Removal Expenses/Assistants
- Accounting Manual Chapter [D-371-12.1](#), Accounting for and Tax Reporting of Payments Made Through the Vendor System
- Accounting Manual Chapter [D-371-16](#), Disbursements: Approvals Required
- Accounting Manual Chapter [D-371-36](#), Disbursements: Invoice Processing
- Accounting Manual Chapter [P-196-28](#), Payroll: Federal Taxation of Citizens
- Business & Finance Bulletin [G-28](#), Policy and Regulations Governing Travel

Internal Revenue Code Sections:

- Section 132 Certain Fringe Benefits
- Section 217 Moving Expenses
- Internal Revenue Service Publications [521](#), Moving Expenses, and [535](#), Business Expenses

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## **VII. FREQUENTLY ASKED QUESTIONS**

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N/A

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## **VIII. REVISION HISTORY**

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- Originally published July 01, 1996.
- Revised November 30, 1998 to reflect Form 4782 filing requirement and reporting on Form W-2 of nontaxable moving expenses paid directly to a third party.
- Revised December 01, 2009 to allow for full payment of moving expenses for MSP and Staff employees.
- Revised March 31, 2010 to remove SMG employees who are covered in a separate SMG Moving Reimbursement Policy.
- Reformatted March 30, 2012 into the new policy format.