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To: Human Resources Directors

From: Cathy Robinson 
Assistant Vice Chancellor
Human Resources Administration

Supersedes: Technical Letter
HR/Benefits 2004-03

Subject: Tax Information Changes to Moving and Relocation Expenses

This memorandum is written to update tax information relating to moving and relocation expenses. Specifically, the federal standard mileage rate for moving expenses was increased to \$.15 per mile, effective January 1, 2005, up from \$.14 per mile in 2004. In addition, we have restated the general guidelines for determining the taxability of moving and relocation expenses. More specific information is available in the SCO Payroll Procedures Manual (PPM) Section 147 on Moving Expenses.

1. Qualified moving expenses are reasonable costs of moving household goods and personal effects from the former to the new residence, and travel and lodging costs incurred in the related move. Qualified moving expenses are not taxable income if all the following criteria are met:
 - ◆ The federal time test is satisfied. To meet the federal time requirement, an employee must work full-time for 39 weeks during the 12 months immediately following the move.
 - ◆ The federal distance test is satisfied. To meet the distance test, an employee's new headquarters must be at least 50 miles farther from the employee's former residence compared to the distance between the former residence and the old headquarters.
 - ◆ The Internal Revenue Service requirements of an accountable plan are satisfied. To meet account plan requirements, the employer's reimbursement plan must meet three requirements: 1) business connection, 2) substantiation, and 3) return of excess, unsubstantiated advance amounts within reasonable time frames. The CSU's current procedures meet the accountable plan requirements.

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2. Nonqualified moving expenses are those costs that do not meet the Internal Revenue Service's definition of qualified expenses and are, therefore, reportable and taxable as income. The following moving and relocation expenses incurred will be reportable as taxable income:
- ◆ Meals connected with the move;
 - ◆ Pre-move house hunting trips;
 - ◆ Temporary living expenses;
 - ◆ Sales or purchase of a residence;
 - ◆ Leases, unexpired or new;
 - ◆ Storage more than 30 days after moving into residence;
 - ◆ Mileage reimbursement in excess of the federal moving expense mileage rate; and
 - ◆ Moving expenses that do not meet the time or distance tests.

Please advise employees to seek tax advice regarding the potential impact of moving and relocation benefits as taxable income.

If you have any questions, please call Human Resources Administration at (562) 951-4411. This technical letter is also available on the Human Resources Administration's Web site at: <http://www.calstate.edu/HRAdm/memos.shtml>.

CR/lb