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DEPT. OF
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AUG 15 11 33 AM '95

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STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
P. O. BOX 119
HONOLULU, HAWAII 96810-0119

AUG 14 1995

COMPTROLLER'S MEMORANDUM NO. 1995-23

TO: Heads of Departments

SUBJECT: New Requirements for Reporting Reimbursable Moving Expenses

The Revenue Reconciliation Act of 1993 has initiated various changes in determining an individual's deduction for moving expenses paid or incurred with the commencement of work at a new location.

To accommodate the reporting of employer reimbursed moving expenses on Form W-2 issued by Central Payroll, the State of Hawaii has implemented new procedures that will apply to all payments issued since January 1, 1995. The new procedures require that the following forms be prepared:

- Statement of Moving Expenses - to identify the qualified moving expenses; and

- Calculation of Excludable and Taxable Moving Expenses form - to determine the excludable and taxable amounts of the moving expenses that are to be entered onto the payroll change schedule for withholding of applicable federal, state, and FICA taxes.

In general, the reporting of reimbursed moving expenses will be shown on Form W-2 as follows:

- Reimbursements for qualified moving expenses will be reported as excludable moving expenses in box 13 of the employee's Form W-2, identified with code "P".

- Any excess reimbursements that are not returned should be reported as taxable income in box 1 of the employee's Form W-2.

APR 16 1995

Your department is required to provide each employee an itemized list of reimbursements, payments, or allowances that have been paid for moving expenses. Each department will have the option to use I.R.S. Form 4782, Employee Moving Expense Information for this purpose.

Attached for your information are the requirements, procedures, and forms for employer reimbursed moving expenses. Please forward this memorandum and the attachments to the staff in your department who work with these payments. Beginning with the Payroll Change Schedules for the October 15, 1995 payroll period, departments will be allowed to start coding their transactions.

Your staff should contact the Central Payroll staff assigned to your payrolls if there are any questions related to the coding on the payroll change schedule. All other inquiries are to be directed to Mr. Kurt Muraoka of our Systems Accounting Branch.

SAM CALLEJO
State Comptroller

Attachments

MOVING EXPENSE REQUIREMENTS AND PROCEDURES

The moving expense requirements and procedures presented below reflect the new Internal Revenue Service's announcement issued under the Revenue Reconciliation Act of 1993.

Conditions for Allowance

The employee's qualifying moving expenses related to a new or changed job location are deductible if the employee satisfies two tests: (1) the distance test and (2) the minimum period of employment test.

Distance Test

The employee's new principal place of work:

- is at least 50 miles (increased from 35 miles effective January 1, 1994) farther from the individual's former residence than was his/her former principal place of work, or

- if the employee had no former place of work, his/her new place of work is at least 50 miles from his/her former residence.

Minimum Period of Employment Test

Either,

- during the 12-month period immediately following his/her arrival in the general location of his/her new principal place of work, the taxpayer is a full-time employee, in such general location, during at least 39 weeks, or

- during the 24-month period immediately following his/her arrival in the general location of his/her new principal place of work, the employee is a full-time employee or performs services as a self-employed individual on a full-time basis, in such general location, during at least 78 weeks, of which not less than 39 weeks are during the 12-month period referred to above. Full-time work includes temporary absences from work due to illness, strikes, layoffs, natural disasters, or vacation.

The minimum period of employment test does not apply where the employee is unable to satisfy such condition by reason of death, disability or involuntary separation.

Deductible/Non-deductible Expenses

Identified below are the deductible and non-deductible moving expenses:

Deductible Moving Expenses:

- Traveling (including lodging) for the employee and members of the employee's household, from the former residence to the new place of residence, and
- Moving of household goods and personal effects from the former residence to the new residence.

Non-deductible Moving Expenses:

- Meal expenses,
- Pre-move househunting expenses,
- Temporary living expenses,
- Expenses of selling or leasing the old residence, and
- Expenses of purchasing or leasing a new residence.

Employer Reimbursed Moving Expenses

Qualified moving expense(s):

- reimbursed by an employer are excludable from an employee's gross income provided that they meet the requirements of a qualified moving expense reimbursement.
- reimbursements include any amount received, directly or indirectly, by an employee from an employer as a payment for, or a reimbursement of, moving expenses directly paid or incurred by the employee.

Employer Reporting Requirements

The following are the forms that need to be prepared to determine the excludable and taxable amounts of the moving expense reimbursement:

- **Statement of Moving Expenses** - to identify the qualified moving expenses; and

- **Calculation of Excludable and Taxable Moving Expenses form** - to determine the excludable and taxable amount of the moving expenses that are to be entered onto the payroll change schedule for withholding of applicable federal, state, and FICA taxes.

The reporting requirements for Form W-2 are presented below.

- If your department requires that expense receipts be submitted for all qualified reimbursed expenses, and there are no excess payments made to the employee, the reimbursed amount is considered excludable and should be reported in box 13 of the employee's Form W-2.

- If there are excess payments made to the employee that are not returned, the excess amount is considered taxable and should be reported in box 1 of the employee's Form W-2.

STATEMENT OF MOVING EXPENSES

Department _____ Payroll # _____

Division/Program _____

Employee Name _____ S.S.# _____

Position Title _____ BU# _____

Date Left Old Residence _____ Date Arrived at New Residence _____

Address of Former Place of Work _____

Address of Former Residence _____

Address of New Place of Work _____

Address of New Residence _____

A. If had former place of work:

1. Distance from former residence to new place of work (miles) _____
2. Distance from former residence to old place of work (miles) _____
3. Difference in distance (1-2) _____

B. If no former place of work, distance from former residence to new place of work (miles) _____

C. The following are the qualified moving expenses: (Do not include meals.)

1. Transportation expenses to new residence $_____
2. Moving expenses for household goods and personal effects $_____
3. Lodging expenses during period of travel to new residence $_____
4. Total Qualified Moving Expenses $_____

Note: If (1) the difference in distance (A.3.) or distance from former residence (B.) is at least 50 miles ***and*** (2) the employee has been a full-time employee (or will remain a full-time employee) in his/her new principal place of work for at least 39 weeks during the 12-month period immediately following the employee's arrival in the general location of his/her new principal place of work, reimbursement of the qualifying moving expenses are excludable from the employee's wages for federal and Hawaii income and employment tax purposes. If either one of these conditions are not met the reimbursement may be taxable wages.

Signature of Claimant: _____ Date _____

Approved: _____ Date _____

Title: _____

Calculation of Excludable and Taxable Moving Expenses
To Be Used With Statement of Moving Expenses

Employee Name _____

Social Security Number _____ Payroll Number _____

Date of Departure _____ Date of Arrival _____

A. Moving Expense Allowance/Reimbursement $ _____

B. Total Qualified Moving Expenses $ _____

C. Taxable Amount (A-B, but not less than 0) $ _____

To Person Completing This Form:

Instructions For Completion:

Give one copy of this form to the employee and forward one copy to appropriate departmental accounting personnel for coding on the next payroll change schedule.

To Person Completing Payroll Change Schedule:

Instructions For Coding on Payroll Change Schedule:

1. Locate the employee name and social security number on the payroll change schedule.
2. Enter on the first available line in the "Wages-in-Kind or Cola" fields, code P and the smaller amount from A or B above.
3. Enter on the next available line in the "Wages-in-Kind or Cola" fields, code T and the amount from C above.
4. Attach this form to the payroll change schedule.

ATTENTION STATE EMPLOYEE: RETAIN A COPY OF THIS FORM FOR USE IN PREPARATION OF YOUR PERSONAL TAX RETURN.

Form **4782**
(Rev. September 1994)
Department of the Treasury
Internal Revenue Service

Employee Moving Expense Information

Payments made during the calendar year 19 .....

▶ **See instructions on back.**

OMB No. 1545-0182

Do not file.
Keep for your records.

Name of employee

Social security number

Moving Expense Payments		(a) Amount paid to employee	(b) Amount paid to a third party for employee's benefit and value of services furnished in kind	(c) Total (Add columns (a) and (b).)
Part I Expenses Incurred After 1993				
1 Transportation and storage of household goods and personal effects	1			
2 Travel and lodging payments for expenses of moving from old to new home. **Do not** include meals	2			
3 List all other payments (specify). **Note:** *These amounts must be included in the employee's income* ▶	3			
4 **Total payments for moving expenses incurred after 1993.** Add the amounts in column (c) of lines 1 through 3. ▶	4			
Part II Expenses Incurred Before 1994				
Section A—Transportation of Household Goods				
1 Transportation and storage of household goods and personal effects	1			
Section B—Expenses of Moving From Old To New Home				
2 Travel and lodging payments **not** including meals	2			
3 Meal payments for travel	3			
Section C—Pre-move Househunting Expenses and Temporary Quarters for any 30 Days in a Row After Obtaining Employment (90 Days for a Foreign Move)				
4 Pre-move travel and lodging payments **not** including meals	4			
5 Temporary quarters payments **not** including meals	5			
6 Total meal payments for both pre-move househunting and temporary quarters	6			
Section D—Qualified Real Estate Expenses				
7 Qualified expenses of selling, buying, or renting a home	7			
Section E—Miscellaneous Payments				
8 List all other payments (specify) ▶	8			
9 **Total payments for moving expenses incurred before 1994.** Add the amounts in column (c) of lines 1 through 8. **Note:** *This amount must be included in the employee's income* ▶	9			

For Paperwork Reduction Act Notice, see back of form.

Cat. No. 13079T

Form **4782** (Rev. 9-94)

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete this form will vary depending on individual circumstances. The estimated average times are:

	Recordkeeping	Preparing the form
Part I only	3 hr., 21 min.	3 min.
Part II only	6 hr., 56 min.	7 min.
Parts I and II	9 hr., 34 min.	10 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service,** Attention: Reports Clearance Officer, PC:FP, Washington, DC 20224; and the **Office of Management and Budget,** Paperwork Reduction Project (1545-0182), Washington, DC 20503. **DO NOT** send this form to either of these offices. Instead, give it to your employee.

Instructions for Employer

Purpose of Form

You are required to give your employees a statement showing a detailed breakdown of reimbursements or payments of moving expenses. Form 4782 may be used for this purpose or you may use your own form as long as it provides the same information as Form 4782. A separate form is required for each move made by an employee for which reimbursement or payment is made.

Form W-2

Any payments you made for an employee's move (including the value of any services furnished in kind) must be included on the employee's Form W-2, in box 1, "Wages, tips, other compensation." But see the **Exception** later.

Payments for moving expenses that **are** deductible by your employee **are not** subject to withholding. Payments for moving expenses that **are not** deductible by your employee (other than the nondeductible portion of meal expenses incurred before 1994) **are** subject to withholding. This includes withholding of income, social security, and Medicare tax.

Exception. Payments (including the value of services furnished in kind) for an employee's moving expenses are treated as excludable fringe benefits if **(1)** the expenses were incurred after 1993, **(2)** the expenses would have been deductible by the employee if the employee paid them, and **(3)** the employee did not deduct the expenses in a prior year. These payments should be made under rules similar to those of an accountable plan. Do not include these payments in boxes 1, 3, or 5 of the employee's Form W-2. Instead, report them in box 13 using code **P.** These payments are not subject to withholding.

When To Give the Information

You must give Form 4782 (or your own form) to your employee by January 31 following the calendar year in which the employee received the reimbursement or payment. However, if the employee stops working for you before December 31 and submits a written request to receive the form earlier, you must give the completed form to the former employee within 30 days after you receive the request if the 30-day period ends before the regular January 31 deadline.

Penalty for Not Providing the Information or Providing Incorrect Information

If you fail to give Form 4782 (or your own form) to your employee by the due date or fail to include correct information, you may be subject to a $50 penalty for each failure.

Additional Information

For more details on withholding requirements, get **Pub. 15,** Circular E, Employer's Tax Guide. To help you determine what expenses would be deductible by your employee, get **Form 3903,** Moving Expenses, and its instructions; **Form 3903-F,** Foreign Moving Expenses, and its instructions; or **Pub. 521,** Moving Expenses.

Instructions for Employees

Purpose of Form

This form is furnished by your employer to give you the information you need to figure your moving expense deduction. The form shows the amount of any reimbursement made to you, payments made to a third party for your benefit, and the value of services furnished in kind for moving expenses. You should receive a separate form for each move you made during the calendar year for which you receive any reimbursement or during which payment is made for your benefit.

Caution: *This form is not verification of your moving expenses. It only shows the amounts your employer paid for your move. These amounts may be different from the amounts you actually spent.*

Who May Deduct Moving Expenses

If you file Form 1040, you may deduct the reasonable expenses you paid or incurred during the tax year to move to a new principal place of work (workplace). But you must generally meet the "distance" and "time" tests explained later. If you incurred expenses shown on this form and they qualify as deductible moving expenses, you may include them in figuring your deduction. But you may not include expenses you deducted in a prior year.

For moves within or to the United States, use **Form 3903,** Moving Expenses, to figure your deduction. If you moved outside the United States or its possessions, use **Form 3903-F,** Foreign Moving Expenses, to figure your deduction.

Distance Test.—For moving expenses incurred after 1993, your new workplace must be at least 50 miles farther from your old home than your old workplace was. For moving expenses incurred before 1994, your new workplace must be at least 35 miles farther from your old home than your old workplace was.

Time Test.—If you are an employee, you must work full time in the general area of your new workplace for at least 39 weeks during the 12 months right after you move.

Additional Information

For detailed moving expense information, including which expenses qualify and what are reasonable expenses, see Form 3903 and its instructions; Form 3903-F and its instructions; or **Pub. 521,** Moving Expenses.

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