ADMINISTRATIVE PRACTICE LETTER

SUBJECT: MOVING EXPENSES

INTRODUCTION

The University of Maine System (System) is required to account for and report on moving expenses in accordance with rules and regulations prescribed in the Internal Revenue Code. The purpose of this administrative practice letter is to establish System guidelines to ensure compliance.

CLASSIFICATION OF MOVING EXPENSES

When the System, as an employer, reimburses moving expenses, it must determine how to treat such amounts for W-2 reporting purposes. Proper reporting of moving expenses is dependent on the classification assigned to each expense. Moving expenses can be classified as either qualified or unqualified, thereby affecting the taxability of such expenses. Qualified expenses are fringe benefits excludable from employee taxable wages. Unqualified expenses are included in employee taxable wages. Following is a list of common qualified and unqualified moving expenses:

QUALIFIED MOVING EXPENSES:

Qualified employee moving expenses are limited to:

- the “reasonable” costs of moving household goods and personal effects from the former residence to the new residence via the shortest available route,
- travel costs, including lodging, incurred during the period of travel from the former residence to the new residence, and
- actual vehicle expenses, such as gas and oil, incurred during the move or a standard mileage reimbursement of \(15\) cents a mile for 2005; \(14\) cents a mile for 2004.

UNQUALIFIED MOVING EXPENSES:

Unqualified employee moving expenses include, but are not limited to, the following:

- pre-move house hunting expenses,
- temporary living expenses,
- standard mileage reimbursement in excess of \(15\) cents a mile for 2005; \(14\) cents a mile for 2004,
- meal expenses,
- storage charges, except those incurred in transit, and
- amounts not fully and adequately accounted for by receipts or other appropriate supporting documentation.

In addition, reimbursement for moving expenses is available ONLY if the distance between the employee’s new work place and old residence is AT LEAST 50 miles further than the distance between the employee's old workplace and old residence.
REPORTING OF QUALIFIED MOVING EXPENSES

Qualified moving expenses can be reimbursed using the Accounts Payable or HRIS (Payroll) Systems. Reimbursements of qualified moving expenses are reported differently depending on whether the reimbursement is made directly to a third party vendor or directly to the employee.

Qualified Moving Expenses paid through Accounts Payable to third parties on behalf of an employee no longer are required to be reported to the IRS, UMS Payroll Office, or the employee (such amount will not be included in taxable wages).

Qualified Moving Expenses that are reimbursed directly to the employee using Accounts Payable must be reported on the employee’s W-2, Box 13, indicated with the letter “P”. The University Accounts Payable department must notify the UMS Payroll Office via e-mail, interoffice mail, etc. of the amount reimbursed to the employee. Institutions are no longer required to provide the employee with a Form 4782 or substitute letter detailing the reimbursement.

Qualified Moving Expenses reimbursed through HRIS should be paid using earnings code 213. These amounts should be entered at the University payroll office. Universities are no longer required to provide the employee or the University of Maine System Payroll office with a Form 4782 or substitute letter detailing the amount. All amounts reported in HRIS with earnings code 213 will print on the employee’s W-2, Box 13 only, indicated with a “P”, and not be included in taxable wages.

REPORTING OF UNQUALIFIED MOVING EXPENSES

Unqualified moving expenses reimbursed through HRIS must be paid using earnings code 215. Any amounts paid with this code will be subject to withholding and included in the employee’s taxable wages.

Unqualified moving expenses paid through Accounts Payable, either to the employee or to a third party, are taxable. Accounts Payable must report the total of unqualified moving expenses paid to their University payroll office. The University payroll office will then enter the total of the unqualified moving expenses in HRIS using earnings code 215.

CONCLUDING REMARK

When uncertainty exists regarding the classification or reporting of employee moving expenses, reference should be made to IRS Publication 521, Moving Expenses or individuals should contact the UMS Payroll office.

APPROVED:

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Chief Financial Officer and Treasurer