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 $0.235 a mile effective 01/01/14.

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 $0.235 a mile effective 01/01/14
- 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, treatment as a Qualified Expense 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 AND UNQUALIFIED MOVING EXPENSES

All requests for Moving Expense reimbursements for each campus and the system office must be forwarded to the University of Maine System Payroll Office. These requests should contain all necessary campus or system office approvals before being sent to the System Payroll Office. The request should be accompanied by the employee’s contractual Moving Expense agreement.

All employee Moving Expense reimbursements for each campus and the system office will be paid through the University of Maine System Payroll Office. All third-party Moving Expense reimbursements for each campus and the system office will be forwarded from the System Payroll Office to the System Accounts Payable staff for payment. PCards should not be used to pay for Moving Expenses.

The above methodology will result in the proper tax reporting of Moving Expenses and will result in expenses being assigned to the appropriate ChartFields.

Moving Expense reimbursements to both employees and vendors will be reported and paid in a timely manner. The UMS Payroll Office will sign off on all vendor invoices related to Moving Expenses prior to input by the UMS Accounts Payable staff.

An off-cycle payroll check will be generated to meet any requests of an urgent need. Otherwise, employee reimbursements will be generated during the standard monthly check processing. Vendors will be paid immediately in the next bi-weekly A/P check run.

REPORTING OF QUALIFIED MOVING EXPENSES

Qualified moving expenses that are reimbursed directly to the employee must be reported on the employee’s Form W-2 in Box 12, designated with the letter “P”. Qualified Moving Expenses reimbursed through the payroll system will be paid using earnings code 213.

REPORTING OF UNQUALIFIED MOVING EXPENSES

Unqualified moving expenses reimbursed through the payroll system 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 to a third-party vendor are also taxable. The UMS Payroll Office will report the total of unqualified moving expenses paid to a third-party vendor in the payroll system using earnings code 814. The amount of the payment will be taxable and reported accordingly on the employee’s Form W-2.
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.

RELATED DOCUMENTS

Moving Expenses Reimbursement Form

This APL has been approved by the Treasurer of the University of Maine System.