

**SECRET**

OGC 70-1167

13 July 1970

**MEMORANDUM FOR: Chief, Policy and Planning Staff/OF**

**SUBJECT: Withholding Federal Income Tax on Reimbursements for Moving Expenses under the Tax Reform Act of 1969**

- REFERENCES:**
- a. Treasury Fiscal Requirements Manual for Guidance of Departments and Agencies, Transmittal Letter No. 42, dtd 9 Mar 70
  - b. Office of Finance Instruction Sheet No. 39, dtd 6 April 1970

1. As you know the Tax Reform Act of 1969 broadens the definition of moving expenses and makes them deductible from gross income in determining adjusted gross. You have asked whether reimbursement by the Agency for these expenses must be included in whole or in part in Agency withholding tax computations. Moreover, you have submitted the referent instructions and with respect to the second document, have asked our opinion as to its accuracy.

2. The Internal Revenue Service has not issued 1970 regulations on treatment of reimbursement of moving expenses for withholding tax purpose. It has rescinded that section of the regulations applicable last year and reserved the numbered section. However, for our purposes the Treasury Department "Fiscal Requirements Manual" may be relied upon for the computations you require. If then at a later date IRS issues its regulation, the Treasury manual will certainly be brought into conformance.

OGC Has Reviewed

**SECRET**



25X1

RI

**SECRET**

Approved For Release 2004/11/01 : CIA-RDP72-00310R000100480010-4

3. Subsection 3980.10 of the Treasury Fiscal Requirements Manual states:

**TAX WITHHOLDING.** An allowance or reimbursement to an employee for moving expenses paid by the employee is not subject to tax withholding if (and to the extent that) the employee may, for income tax purposes, deduct the moving expenses from his gross income. Those moving expenses which may be deducted by the employee (subject to certain conditions), and for which the corresponding allowance or reimbursement is not subject to tax withholding, are the reasonable expenses of traveling (including meals and lodging), and of moving household goods and personal effects, from the former residence to the new residence; of traveling (including meals and lodging) for the purpose of searching for a new residence; of meals and lodging while occupying temporary quarters; or constituting qualified residence sale, purchase, or lease expenses. The aggregate amount allowable as a deduction for the househunting trip and temporary quarters is \$1,000. The aggregate amount allowable as a deduction for the residence sale, purchase, or lease expenses is \$2,500, reduced by the aggregate amount allowable for the househunting trip and temporary quarters. Allowances or reimbursements to employees which exceed the above aggregate amounts allowable as deductions, along with reimbursements for any other moving expenses, are subject to tax withholding.

4. It is my understanding from our conversations on this subject that you have ordered taxes to be withheld on all moving expenses reimbursements which do not clearly fall within the above listing or are in excess of the amounts allowed. Moreover, you are instructing employees who have received such reimbursements that they will have to include them in their income tax calculations.

5. We perceive no legal objection to the Office of Finance Instruction; and your treatment of the reimbursement of moving expenses as it affects withholding tax is correct. If IRS does

-2-

**SECRET**

Approved For Release 2004/11/01 : CIA-RDP72-00310R000100480010-4

80

~~SECRET~~

publish a regulation which in any way is in conflict with the Treasury instruction, the Treasury instruction of course will be amended at that same time.



25X1A

Assistant General Counsel

cc: OGC/ 

OGC:JBU:bg

Distribution:

Orig & 1 - Addressee

- Subject - FEDERAL TAXES

1 - JBU Signer

1 - Chrono

25X1A

SECRET

R3

ILLEGIB  
1975

Approved For Release 2004/11/01 : CIA-RDP72-00310R000100480010-4



OFFICE OF THE COMMISSIONER

THE DEPARTMENT OF THE TREASURY

FISCAL SERVICE

BUREAU OF ACCOUNTS

WASHINGTON, D.C. 20226



*Reading  
File*

MAR 8 1970

TREASURY FISCAL REQUIREMENTS MANUAL FOR  
GUIDANCE OF DEPARTMENTS AND AGENCIES

TRANSMITTAL LETTER NO. 42

TO HEADS OF GOVERNMENT DEPARTMENTS AND AGENCIES AND OTHERS CONCERNED:

1. MATERIAL TRANSMITTED

Revision of Part III, Section 3080 (Moving Expenses).

2. PROCEDURAL REVISIONS

Section 3080 has been revised to give effect to the provisions relating to moving expenses as amended by the Tax Reform Act of 1969 (P.L. 91-172, approved December 30, 1969). The Act broadened the scope of moving expenses which may, for income tax purposes, be deducted by an employee from his gross income, and for which the related reimbursement or allowance is not subject to tax withholding. However, the requirements for tax withholding set forth in Paragraph 3080.10 are applicable only to reimbursements or allowances for moving expenses paid by an employee after December 31, 1969. There is no change in the treatment of a reimbursement or allowance for moving expenses paid by an employee on or before December 31, 1969; only the expenses of traveling and of moving household goods and personal effects from the former residence to the new residence may be deducted by the employee and, thus, only the corresponding reimbursements are not subject to tax withholding. The requirement in Paragraph 3080.20 for including the aggregate amount of the reimbursement or allowance in an employee's gross income is applicable without regard to the date of payment of the moving expenses by the employee.

3. PAGE CHANGE

Remove Page

Insert Page

3-3070.30/3-3080 February 1967      3-3070.30/3-3080.20 March 1970

4. PEN AND INK CHANGES

In the Table of Contents of Part III, change Section 3080 to read "MOVING EXPENSE REIMBURSEMENTS," and add Paragraphs "3080.10 Tax Withholding" and "3080.20 Inclusion in Gross Income."



Approved For Release 2004/11/01 : CIA-RDP72-00310R000100480010-4

Keep Freedom in Your Future With U.S. Savings Bonds

R4

- 2 -

5. EFFECTIVE DATE

Effective upon receipt.

6. OTHER

Any questions on this subject should be directed to the Internal Revenue Service, Washington, D. C., or to any District Director of Internal Revenue.



Commissioner of Accounts

25

TREASURY FISCAL REQUIREMENTS MANUAL  
FISCAL SERVICE - BUREAU OF ACCOUNTS

3-3070.30  
March 1970

PART III - PAYROLLS, DEDUCTIONS, AND WITHHOLDINGS

CHAPTER 3000 - FEDERAL INCOME AND F.I.C.A. TAXES

---

3070.30 - LEVY EXCEEDING "TAKE HOME PAY." If the amount shown in the notice of levy exceeds the "take home pay," the employing agency shall place the following legend on the face of the employee's pay check below the payee's name.

"Not negotiable by payee. For deposit by District Director of Internal Revenue pursuant to levy under the Internal Revenue Code."

3070.40 - LEVY LESS THAN "TAKE HOME PAY." If the amount of levy is less than the "take home pay" a check will be drawn to the payee for the excess of the levy; the balance (amount appearing in the notice of levy) will be remitted to the District Director of Internal Revenue.

3070.50 - LIQUIDATION THROUGH PAYROLL DEDUCTIONS. An employee may arrange with the Internal Revenue Service to liquidate his tax liability by payroll deduction. Internal Revenue Service Form No. 2159, "Agreement for Liquidation of Federal Tax through Payroll Deductions," signed by the Collection Officer of the Internal Revenue Service and by the employee will be the authorization for payroll deductions. The original will be sent to the payroll office. The employing agency will deduct the amount agreed upon from each salary payment until the total tax liability has been liquidated.

3070.60 - PAYMENT TO INTERNAL REVENUE SERVICE. One check each pay period to the Internal Revenue Service will cover amounts deducted from employees' pay (either by agreement or because the notice of levy is less than "take home pay"). A list of each employee involved, the amount, the employee's tax account number, and the taxable year will accompany the check to the place specified by the Internal Revenue Collection Officer.

Section 3080 - MOVING EXPENSE REIMBURSEMENTS. Federal agencies are authorized by Public Law 89-516, approved July 21, 1966, (80 Stat. 323) to reimburse employees for certain moving expenses incident to transfers made primarily in the interest of the Federal agency. Regulations governing these payments appear in Bureau of the Budget Circular No. A-56, Revised, dated October 12, 1966.

3080.10 - TAX WITHHOLDING. An allowance or reimbursement to an employee for moving expenses paid by the employee is not subject to tax withholding if (and to the extent that) the employee may, for

3-3080.20  
March 1970

TREASURY FISCAL REQUIREMENTS MANUAL  
FISCAL SERVICE - BUREAU OF ACCOUNTS

PART III - PAYROLLS, DEDUCTIONS, AND WITHHOLDINGS

CHAPTER 3000 - FEDERAL INCOME AND F.I.C.A. TAXES

---

Section 3080 - MOVING EXPENSE REIMBURSEMENTS (continued)

income tax purposes, deduct the moving expenses from his gross income. Those moving expenses which may be deducted by the employee (subject to certain conditions), and for which the corresponding allowance or reimbursement is not subject to tax withholding, are the reasonable expenses of traveling (including meals and lodging), and of moving household goods and personal effects, from the former residence to the new residence; of traveling (including meals and lodging) for the purpose of searching for a new residence; of meals and lodging while occupying temporary quarters; or constituting qualified residence sale, purchase, or lease expenses. The aggregate amount allowable as a deduction for the househunting trip and temporary quarters is \$1,000. The aggregate amount allowable as a deduction for the residence sale, purchase, or lease expenses is \$2,500, reduced by the aggregate amount allowable for the househunting trip and temporary quarters. Allowances or reimbursements to employees which exceed the above aggregate amounts allowable as deductions, along with reimbursements for any other moving expenses, are subject to tax withholding.

3080.20 - INCLUSION IN GROSS INCOME. All amounts paid as reimbursement or allowance for moving expenses should be included in the gross income of each employee involved and should be reported on Form W-2, Wage and Tax Statement. The amounts paid which were not subject to tax withholding should be reported on Form W-2 as "other compensation paid." The amounts paid which were subject to tax withholding should be reported on Form W-2 as "wages paid subject to withholding." The aggregate amount of all "wages paid subject to withholding" and "other compensation paid" should be shown on line 1 of Form 941, Employer's Quarterly Federal Tax Return.

R7

(This Instruction Sheet is for information only and may be destroyed)

REMOVE			INSERT			EXPLANATION
ISSUANCE NOS.	PAGE NOS.	DATE	ISSUANCE NOS.	PAGE NOS.	DATE	
OFI 125	All pages & Figures 1 & 2	1 May 67	OFI 125, Revised	All pages & Figures 1 & 2	6 Apr 70  25X1A	This revised instruction prescribes changes in procedures for reporting as gross income and for withholding taxes on reimbursements to personnel for moving expense claims under <span style="border: 1px solid black; display: inline-block; width: 50px; height: 15px;"></span> Attachment 3. The principal changes are to (a) require that reimbursements for travel expenses and for transportation of household goods and personal effects (Sections 2.1, 2.2, 2.3, 5.2 and 6.4) be reported as gross income and (b) provide for exemption from tax withholding of payments within specified limits for moving expenses which may be deducted from gross income under the provisions of the Tax Reform Act of 1969.

Approved:

Acting Director of Finance

*6 April 1970*  
Date

Distribution: Regular

RS

25X1A



25X1

Approved For Release 2004/11/01 : CIA-RDP72-00310R000100480010-4

Next 9 Page(s) In Document Exempt

Approved For Release 2004/11/01 : CIA-RDP72-00310R000100480010-4