



**GENERAL SERVICES ADMINISTRATION**

**41 CFR Parts 302-1, 302-2, 302-4, and 302-17**

**[FTR Amendment 2020-02; FTR Case 2019-302; Docket No. 2019-0011, Sequence 1]**

**RIN 3090-AK00**

**Federal Travel Regulation; Taxes on Relocation Expenses, Relocation Expense Reimbursement**

**AGENCY:** Office of Government-wide Policy (OGP), General Services Administration (GSA).

**ACTION:** Direct final rule; request for comments.

**SUMMARY:** The General Services Administration (GSA), in consultation with the Secretary of the Treasury, is issuing a direct final rule to amend the Federal Travel Regulation (FTR) to authorize relocation reimbursement for a number of expenditures. This amendment is necessary because the Tax Cuts and Jobs Act of 2017 suspended both the moving expenses income tax deduction and the exclusion from income for qualified moving expense reimbursements for tax years 2018 through 2025.

**DATES:** Effective date: This rule is effective on [**INSERT 45 DAYS FROM DATE OF PUBLICATION IN THE *FEDERAL REGISTER***] without further action, unless GSA receives adverse comments by [**INSERT 30 DAYS FROM DATE OF PUBLICATION IN THE *FEDERAL REGISTER***]. GSA will consider whether these comments are significant enough to publish a timely withdrawal in

the *Federal Register* informing the public that this direct final rule will not take effect. Please see SUPPLEMENTARY INFORMATION for more information on significant adverse comments.

**Applicability date:** This direct final rule is applicable to employees who are authorized reimbursement for relocation expenses under the FTR and who receive some or all reimbursements, direct payments, or indirect payments on or after January 1, 2018, and on or before December 31, 2025.

**Comment Date:** Interested parties should submit written comments to the Regulatory Secretariat Division at one of the addresses shown below on or before [**INSERT 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER**] to be considered in the formation of the final rule.

**ADDRESSES:** Submit comments identified by FTR Case 2019-302 by any of the following methods:

- Regulations.gov: <http://www.regulations.gov>.  
Submit comments via the Federal eRulemaking portal by entering "FTR Case 2019-302" under the heading "Enter Keyword or ID" and selecting "Search." Select the link "Submit a Comment" that corresponds with "FTR Case 2019-302" and follow the instructions provided on the screen. Please include your name, company name (if

any), and "FTR Case 2019-302" on your attached document.

- Mail: General Services Administration, Regulatory Secretariat Division (MVCB), Attn: Lois Mandell, 1800 F Street NW, Washington, DC 20405.

Instructions: Please submit comments only and cite "FTR Case 2019-302" in all correspondence related to this case. All comments received will be posted without change to <http://www.regulations.gov>, including any personal and/or business confidential information provided. To confirm receipt of your comment(s), please check [www.regulations.gov](http://www.regulations.gov) approximately two to three days after submission to verify posting (except allow 30 days for posting of comments submitted by mail).

**FOR FURTHER INFORMATION CONTACT:** For clarification of content, contact Mr. Rick Miller, Program Analyst, Office of Government-wide Policy, at 202-501-3822 or [rodney.miller@gsa.gov](mailto:rodney.miller@gsa.gov). Contact the Regulatory Secretariat Division (MVCB), 1800 F Street NW, Washington, DC 20405, 202-501-4755, for information pertaining to status or publication schedules; please cite "FTR Case 2019-302."

**SUPPLEMENTARY INFORMATION:**

**A. Public Participation**

GSA is publishing this direct final rule without a prior proposed rule because this is a non-controversial action resulting from changes to the Internal Revenue Code made by Public Law (Pub. L.) 115-97, known as the "Tax Cuts and Jobs Act of 2017" (December 22, 2017), and GSA anticipates no significant adverse comments. A significant adverse comment is defined as one where the comment explains why the rule would be inappropriate, including challenges to the rule's underlying premise or approach, or would be ineffective or unacceptable without a change. In determining whether a significant adverse comment is sufficient to terminate a direct final rulemaking, GSA will consider whether the comment raises an issue serious enough to warrant a substantive response in a notice-and-comment process. GSA notes that comments that are frivolous, insubstantial, or outside the scope of the rule will not be considered adverse under this procedure. A comment recommending a rule change in addition to the rule will not be considered a significant adverse comment, unless the comment states why the rule would be ineffective without the additional change. In addition, if a significant adverse comment applies to a part of a rule and that part can be severed from remainder of the rule (e.g., where a rule deletes several unrelated regulations), GSA may adopt

as final those parts of the rule that are not the subject of a significant adverse comment.

For detailed instructions on sending comments and additional information on the rulemaking process, see the ADDRESSES section of this document.

## **B. Background**

The Tax Cuts and Jobs Act of 2017 suspended moving expense deductions along with the exclusion for employer reimbursements and payments of qualified moving expenses effective January 1, 2018, for tax years 2018 through 2025. Pursuant to 5 U.S.C. 5738, the Administrator of General Services is mandated to prescribe necessary regulations regarding Federal employees who relocate in the interest of the Government. The overall implementing authority is the FTR, codified in Title 41 of the Code of Federal Regulations, Chapters 300-304 (41 CFR Chapters 300-304).

## **C. Discussion of Changes and Expected Impact of this Rule**

The direct final rule amends the FTR in accordance with the new tax changes impacting relocation expense entitlements for those employees identified in FTR section 302-1.1 who are authorized relocation reimbursements under the FTR and who receive some or all reimbursements, direct payments, or indirect payments on or after January 1, 2018 and on or before December 31, 2025. This direct final rule

amends the FTR sections pertaining to the supplemental wage rate, taxable and nontaxable relocation entitlements, Withholding Tax Allowance (WTA), Relocation Income Tax Allowance (RITA), and employee eligibility for WTA and RITA. This direct final rule also clarifies the 50-mile distance test definition for purposes of relocation expense allowances, where to find relocation mileage reimbursement rates when using a privately owned vehicle (POV) to travel from the old duty station to the new duty station, and other provisions of FTR Chapter 302 impacted by the new tax changes. In addition, this direct final rule removes certain examples and tables from FTR part 302-17 and directs readers to updated examples and tables published in an FTR bulletin on the GSA website.

Accordingly, the direct final rule amends the FTR by:

1. Section 302-1.1(b) - Revising language regarding application of the 50-mile distance test.
2. Section 302-2.6(b) - Removing the second sentence and its unnecessary reference to the Internal Revenue Code (IRC) and adding a sentence with factors for agencies to consider when authorizing an exception to the 50-mile distance test.
3. Part 302-4 - Revising the authority citation to correct a typographical error.

4. Section 302-4.300 - Revising the last sentence to replace a defunct website link.

5. Section 302-17.1 - Revising the term "Marginal tax rate (MTR)" to remove the example and notify the reader that examples of how to determine the MTR are published in an FTR bulletin.

6. Section 302-17.5 - Revising the second sentence to clarify that eligibility for WTA and RITA includes employees transferring in the interest of the Government from one official station or agency to another for permanent or temporary change of station (TCS).

7. Section 302-17.6 - Revising paragraphs (b) and (c) and adding paragraph (d) to include Senior Executive Service (SES) employees making last moves home for the purpose of separating from Government service as not eligible for the WTA and RITA.

8. Section 302-17.8 - Revising paragraph (a) to effectuate the new tax changes that render certain expenses non-deductible, and revising paragraph (b) to note that the table accompanying this section summarizing the FTR allowances, limitations, and tax treatment of each reimbursement, allowance, or direct payment to a service provider or vendor has been removed from the FTR and placed

in an FTR Bulletin. Removing paragraph (c) because its reference to the table to § 302-17.8 is now obsolete.

9. Table to § 302-17.8. FTR Allowances and Federal Income Tax Treatments - Removing the Table because it is published in an FTR bulletin.

10. Section 302-17.12 - Removing reference to "IRS Publication 521, Moving Expenses" as it does not provide additional information and guidance on WTA and RITA.

11. Section 302-17.21 - Revising and adding paragraphs on which relocation expenses the WTA covers based upon the new tax changes and updating a reference regarding situations where the employee or an immediate family member does not hold full title to the home being bought or sold.

12. Section 302-17.22 - Revising paragraph (a) to reflect which relocation expenses the WTA does not cover based upon the new tax changes. Removing paragraph (e) and redesignating paragraphs (f), (g), and (h) as paragraphs (e), (f), and (g), respectively.

13. Section 302-17.24 - Revising to update the supplemental wage rate from "25 percent" to the applicable supplemental wage rate generally. Removing Example 1 to part 302-17 and adding a sentence notifying the reader that

examples of how to calculate the WTA are published in an FTR bulletin.

14. Note to Section 302-17.24 - Revising to include Medicare in the parenthetical because both Social Security and Medicare payroll taxes are collected together under the Federal Insurance Contributions Act (FICA) tax.

15. Section 302-17.30(a) - Revising to update the percentage rate from "25 percent" to the income tax withholding rate applicable to supplemental wages generally.

16. Section 302-17.40 - Adding a sentence to paragraph (b) notifying the reader that examples of how to calculate the combined marginal tax rate are published in an FTR bulletin and removing Example 2 to part 302-17 from paragraph (c).

17. Section 302-17.60(d) - Removing paragraph (d) and its accompanying table as unnecessary.

18. Section 302-17.61(b) - Revising paragraphs (b) (1) and (b) (2) to update the supplemental wage rate from "25 percent" to the applicable supplemental wage rate generally, and removing from paragraph (b) (1) Example 3 to part 302-17 and references thereto in paragraphs (b) (1) and (b) (2). Adding paragraph (b) (3) to notify the reader that

examples of relocation expense allowances paid by accepting or declining the WTA are published in an FTR bulletin.

19. Section 302-17.62(b) - Removing the last sentence as it refers to Example 3 to part 302-17 which is now published in an FTR Bulletin.

**D. Executive Orders 12866 and 13563**

Executive Orders (E.O.) 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives, and if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). E.O. 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. GSA has determined that this direct final rule is a significant regulatory action and is subject to review under section 6(b) of E.O. 12866, Regulatory Planning and Review, dated September 30, 1993. GSA has further determined that this direct final rule is not a major rule under 5 U.S.C. 804.

**E. Executive Order 13771**

This direct final rule is not subject to the requirements of E.O. 13771 because it is related to agency organization, management, or personnel.

**F. Regulatory Flexibility Act**

This direct final rule will not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, 5 U.S.C. 601, et seq. This direct final rule is also exempt from the Administrative Procedure Act pursuant to 5 U.S.C. 553(a) (2) because it applies to agency management or personnel.

**G. Paperwork Reduction Act**

The Paperwork Reduction Act does not apply because the changes to the FTR do not impose recordkeeping or information collection requirements, or the collection of information from offerors, contractors, or members of the public that require the approval of the Office of Management and Budget (OMB) under 44 U.S.C. 3501, et seq.

**H. Small Business Regulatory Enforcement Fairness Act**

This direct final rule is also exempt from Congressional review prescribed under 5 U.S.C. 801. This direct final rule is not a major rule under 5 U.S.C. 804.

**List of Subjects in 41 CFR Parts 302-1, 302-2, 302-4, and  
302-17.**

Government employees, income taxes, travel and  
transportation expenses.

Dated: November 18, 2019

Emily W. Murphy,  
Administrator,  
General Services Administration.

For the reasons set forth in the preamble, GSA amends 41 CFR parts 302-1, 302-2, 302-4, and 302-17 as set forth below:

**PART 302-1—GENERAL RULES**

1. The authority citation for 41 CFR part 302-1 continues to read as follows:

**Authority:** 5 U.S.C. 5738; 20 U.S.C. 905(a).

**§302-1.1 [Amended]**

2. Amend §302-1.1 by removing from paragraph (b) “is at least 50 miles distant from your old duty station” and adding “meets the 50-mile distance test” in its place.

**PART 302-2—EMPLOYEE ELIGIBILITY REQUIREMENTS**

3. The authority citation for 41 CFR part 302-2 continues to read as follows:

**Authority:** 5 U.S.C. 5738; 20 U.S.C. 905(a).

4. Amend §302-2.6 by revising paragraph (b) to read as follows:

**§302-2.6 May I be reimbursed for relocation expenses if I relocate to a new official station that does not meet the 50-mile distance test?**

\* \* \* \* \*

(b) The head of your agency or designee may authorize an exception to the 50-mile threshold on a case-by-case

basis when the authorized official determines that it is in the best interest of the Government. The determination must take into consideration such factors as commuting time and distance between the employee's residence at the time of notification of transfer and the new official station.

\* \* \* \* \*

**PART 302-4—ALLOWANCES FOR SUBSISTENCE AND TRANSPORTATION**

5. The authority citation for 41 CFR part 302-4 is revised to read as follows:

**Authority:** 5 U.S.C. 5738; 20 U.S.C. 905(a); E.O. 11609, 36 FR 13747, 3 CFR, 1971-1975 Comp., p. 586.

**§302-4.300 [Amended]**

6. Amend §302-4.300 by removing "[www.gsa.gov/relo](http://www.gsa.gov/relo)" from the last sentence and adding "<https://gsa.gov/ftrbulletins>" in its place.

**PART 302-17—TAXES ON RELOCATION EXPENSES**

7. The authority citation for 41 CFR part 302-17 continues to read as follows:

**Authority:** 5 U.S.C. 5724b; 5 U.S.C. 5738; E.O. 11609, as amended, 3 CFR, 1971-1975 Comp., p. 586.

8. Amend §302-17.1 by revising the definition of "Marginal tax rate (MTR)" to read as follows:

**§302-17.1 What special terms apply to this part?**

\* \* \* \* \*

*Marginal tax rate (MTR)* means the tax rate that applies to the last increment of taxable income after taxable relocation benefits have been added to the employee's income. Examples of how to determine the marginal tax rate using the IRS Tax Rate Schedules are published in an FTR bulletin at <https://gsa.gov/ftrbulletins>.

\* \* \* \* \*

**§302-17.5 [Amended]**

9. Amend §302-17.5 by removing "from one permanent duty station to another, in the interest of the Government" and adding "in the interest of the Government from one official station or agency to another" in its place.

10. Amend §302-17.6 by revising paragraphs (b) and (c) and adding paragraph (d) to read as follows:

**§302-17.6 Who is not eligible for the WTA and the RITA?**

\* \* \* \* \*

(b) Assigned under the Government Employees Training Act;

(c) Returning from an overseas assignment for the purpose of separation from Government service; or

(d) A Senior Executive Service (SES) employee making their last move home for the purpose of separation from Government service.

11. Revise §302-17.8 to read as follows:

**§302-17.8 What limitations and Federal income tax treatments apply to various relocation reimbursements?**

(a) Some relocation expenses reimbursed to you or paid directly by the Government on or after January 1, 2018, and on or before December 31, 2025, must be reported as income and you cannot claim them as deductible expenses on your Federal tax return.

(b) A table summarizing the FTR allowances, limitations, and tax treatment of each reimbursement, allowance, or direct payment to a service provider or vendor is published at <https://gsa.gov/ftrbulletins>. The table also cites relevant FTR paragraphs for details. GSA will revise the table to reflect any changes as quickly as possible; however, users of this part may wish to consult with a tax advisor to determine what limitations and Federal income tax treatments apply to your relocation reimbursement(s).

12. Revise §302-17.12 to read as follows:

**§302-17.12 Where can I find additional information and guidance on WTA and RITA?**

GSA has published additional information on WTA and RITA, including the illustrations and examples of various RITA computations, in FTR Bulletins which are updated as necessary. GSA FTR Bulletins may be found at <https://gsa.gov/ftrbulletins>.

13. Revise §302-17.21 to read as follows:

**§302-17.21 What relocation expenses does the WTA cover?**

The WTA covers certain allowances, reimbursements, and/or direct payments to vendors, to the extent that each of them is taxable income. In particular, the WTA covers:

(a) En route lodging, meals and incidental expenses— Reimbursements for lodging, meals and incidental expenses while en route to the new official station for you and your immediate family member(s). (See part 302-4 of this chapter).

(b) Transportation— Transportation expenses, to include commercial air or privately owned vehicle, for you and your immediate family member(s) transferred between official stations. (See part 302-4 of this chapter).

(c) Househunting trip— Travel (including per diem and transportation) expenses for you and/or your spouse for a round trip to the new official station to seek permanent

residence quarters. Househunting is covered regardless of whether reimbursed under the per diem allowance or lump sum method. (See part 302-5 of this chapter).

(d) Temporary quarters— Subsistence expenses for you and your immediate family during occupancy of temporary quarters at the old or new official station. Temporary quarters are covered regardless of whether reimbursed under the actual expense or lump sum method. (See part 302-6 of this chapter).

(e) Transportation and temporary storage of personal property— Transportation and temporary storage of household goods (HHG) and at Government expense for employees who transferred between official stations. (See part 302-7 of this chapter).

(f) Extended storage— Extended storage of household goods for a temporary change of station in CONUS or assignment to an isolated duty station in CONUS. (See part 302-8 of this chapter).

(g) Transportation of privately owned vehicle— Transportation of a privately owned vehicle at Government expense for employees who transferred between official stations in CONUS. (See part 302-9 of this chapter).

(h) Transportation of mobile homes and boats used as a primary residence— Expenses for transportation of a mobile

home or boat in lieu of transportation of household goods to the new official station. (See part 302-10 of this chapter).

(i) Real estate— Expenses for the sale of the residence at your old official station and/or purchase of a home at your new official station, when reimbursement is made directly to you. This can also include expenses for settling an unexpired lease (“breaking” a lease) at your old official station. (See part 302-11 of this chapter. If you or a member of your immediate family do not hold full title to the home you are selling or buying, see §302-11.103 of this chapter).

(j) Relocation services company— Expenses paid by a relocation services company to the extent such payments constitute taxable income to the employee. The extent to which such payments constitute taxable income varies according to the individual circumstances of your relocation, and by the state and locality in which you reside. (See appropriate state and local tax authorities for additional information). (See also part 302-12 of this chapter).

(k) Property Management Services— Payment for the services of a property manager for renting rather than

selling a residence at your old official station. (See part 302-15 of this chapter).

(1) Miscellaneous expense allowance— Miscellaneous expenses for defraying certain relocation expenses not covered by other relocation benefits. (See part 302-16 of this chapter).

14. Amend §302-17.22 by:

a. Revising paragraph (a);

b. Removing paragraph (e); and

c. Redesignating paragraphs (f) through (h) as paragraphs (e) through (g).

The revision reads as follows:

**§302-17.22 What relocation expenses does the WTA not cover?**

\* \* \* \* \*

(a) Any reimbursement, allowance, or direct payment to a vendor that should not be reported as taxable income when you file your Federal tax return; this includes but is not limited to expenses for transportation of POVs for OCONUS assignments.

\* \* \* \* \*

15. Revise §302-17.24 to read as follows:

**§302-17.24 How does my agency compute my WTA?**

Each time your agency pays a covered, taxable relocation expense, regardless of whether it is a reimbursement, allowance, or direct payment to a vendor, it is considered "supplemental wages" as defined in 26 CFR 31.3402(g)-1(a) (see also IRS Publication 15, Employer's Tax Guide). You owe taxes on the WTA itself because, like most other relocation allowances, it is taxable income. To reimburse you for the taxes on the WTA itself, your agency computes the WTA by using the grossed-up withholding formula below and the appropriate supplemental wage rate, as specified in IRS Publication 15. This rate, along with examples of how to calculate the WTA, is published in an FTR bulletin available at <https://gsa.gov/ftrbulletins>. The formula for calculating the WTA is:

$$\text{WTA} = R / (1 - R) \times \text{Expense}$$

Where R is the withholding rate for supplemental wages.

**Note to § 302-17.24:** Your agency must deduct withholding for FICA (Medicare and Social Security), as the WTA does not cover such expenses.

**§302-17.30 [Amended]**

16. Amend §302-17.30 by removing from paragraph (a) "25 percent".

17. Amend §302-17.40 by adding a sentence to the end of paragraph (b) and revising paragraph (c) to read as follows:

**§302-17.40 How does my agency calculate my CMTR?**

\* \* \* \* \*

(b) \* \* \* Examples of how to calculate the CMTR are published in an FTR bulletin available at <https://gsa.gov/ftrbulletins>.

(c) The formula for calculating the CMTR is:

$$\text{CMTR} = F + (1 - F)S + (1 - F)L$$

Where:

F = Your Federal marginal tax rate

S = Your state marginal tax rate, if any

L = Your local marginal tax rate, if any

\* \* \* \* \*

**§ 302-17.60 [Amended]**

18. Amend §302-17.60 by removing paragraph (d) and its accompanying table.

19. Amend §302-17.61 by revising paragraph (b) to read as follows:

**§302-17.61 Is the WTA optional under the two-year process?**

\* \* \* \* \*

(b) When deciding whether or not to receive the WTA, you should consider the following:

(1) If you expect that your marginal Federal tax rate will be equal to or higher than the supplemental wage rate for the calendar year in which you received the majority of your relocation reimbursements, you may want to elect to receive the WTA.

(2) If you expect that your marginal Federal tax rate will be less than the supplemental wage rate for the calendar year in which you received the majority of your relocation reimbursements, you may want to decline receiving the WTA to avoid or limit possible overpayment of the WTA, the so-called "negative RITA" situation. In a "negative RITA" situation, you must repay some of the WTA in Year 2. However, even if your marginal Federal tax rate will be less than the supplemental wage rate, you may want to accept the WTA so that your initial reimbursement is larger.

(3) Examples showing relocation allowances paid by accepting or declining the WTA are published in an FTR bulletin available at <https://gsa.gov/ftrbulletins>.

**§ 302-17.62 [Amended]**

20. Amend §302-17.62 by removing the last sentence from paragraph (b).

**Billing Code: 6820-14**

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