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STATE CONTROLLER'S OFFICE  
PERSONNEL AND PAYROLL SERVICES DIVISION  
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DATE: June 11, 2019

PAYROLL LETTER #19-009

TO: All Agencies/Campuses in the Uniform State Payroll System

FROM: Marissa Revelino, Chief  
Personnel and Payroll Services Division

RE: **EMPLOYER PAYMENTS OR REIMBURSEMENTS IN 2018 FOR EMPLOYEES  
QUALIFIED MOVING EXPENSES INCURRED/PAID IN 2017**

#### BACKGROUND

The Tax Cuts and Jobs Act (TCJA) amended Section 132(a)(6) of the Internal Revenue Code (IRC) suspending the exclusion from income of qualified moving expense reimbursements for taxable years 2018 through 2025, except for members of the Armed Forces of the United States on active duty who move pursuant to a military order and incident to permanent change of station. This change raise questions on employers whether income exclusion prior to the new tax law (Pub L. 115-97) would apply to qualified moving expense reimbursements incurred in 2017 but not reimbursed or paid until 2018.

#### IRS GUIDANCE NOTICE 2018-75

On September 27, 2018, the Internal Revenue Service issued guidance to employers ([Notice 2018-75](#)) on how to report qualified moving expenses that occur prior to January 1, 2018 (2017) where the employer pays or reimburses the expenses directly or indirectly after December 31, 2017 (2018).

The guidance specifically address the following two situations:

- (1) An employer pays a third party moving service provider after December 31, 2017, for moving expenses provided to an employee prior to January 1, 2018; or
- (2) An employer reimburses an employee after December 31, 2017, for expenses incurred by the employee in connection with a move prior to January 1, 2018.

The guidance clarifies that the suspension of exclusion under Section 132 above applies **only** to payments or reimbursements for **qualified** expenses incurred in connection with moves that occur **after** December 31, 2017. Thus, for Federal and Income State Tax (FET and PIT) and employment taxes (Social Security, Medicare and SDI) purposes, any reimbursement the employer makes in 2018 for moving expenses the employee incurred **before** 2018 is **not included** in an employee's taxable wages and remain nontaxable. The same holds true when the employer pays a third-party moving company in 2018 for qualified moving services provided to an employee in 2017.

## QUALIFIED MOVING EXPENSES IN 2017 REIMBURSED IN 2018

Reimbursements or payments are qualified if they are for work-related moving expenses that would have been deducted by the employee (on his or her personal federal income tax return) if the employee paid for them prior to January 1, 2018 and the employee did not deduct the moving expenses in 2017. Agencies/campuses are responsible for establishing guidelines ensuring that the employees claiming these reimbursements have met the IRS requirement that they have not claimed these moving expenses in their 2017 federal income tax return. Moving expense reimbursement failing to meet this requirement is taxable income in federal for 2018 and subject to federal employment taxes.

## REPORTING PRIOR MOVING EXPENSES

- Verify moving expenses paid/reimbursed in 2018 are qualified moving expenses incurred/paid in 2017. Moving expenses that were not previously submitted/reported/taxed in 2018 are not taxable and are not reported on Forms STD 676P and 675. No further action is required. Employee's 2018 Form W-2 will not show Box 12, Code P entry. IRS clarified that the only amount to be reported under Code P are excludable moving expense reimbursements paid directly to a member of the US. Armed Forces who moves per a military order and incident to a permanent change of station.
- For moving expenses that were already reimbursed and treated/reported as taxable in 2018, attach original forms STD 676P or 675. Write in bold RED on top of these forms "CANCELLED - 2017 MOVING EXPENSES REIMBURSED IN 2018". Highlight the names of employees affected with needed corrections. Corrected W-2s will be generated the following month the transaction is processed.

## CLARIFICATION ON CODE P REPORTING IN BOX 12 OF THE 2018 FORM W-2

IRS clarified on its website that employees with reported moving expense amount on Box 12, Code P should disregard that amount. Employees can omit the Box 12, Code P amount when entering their Form W-2 information into tax preparation software. No corrected forms (W-2Cs) need to be filed with the SSA or the IRS or need to be furnished to employees for 2018 to remove amounts reported under Code P for 2018.

For more information about the moves made before the tax code overhaul, visit the IRS website for frequently asked questions (FAQS) at [Frequently Asked Questions for Moving Expenses](#).

If you have any questions regarding this Payroll Letter, please contact the Statewide Customer Contact Center at (916) 372-7200 and select the Statewide Tax Support Program (PPSDtaxsupsect@sco.ca.gov).

MR:AR:EO:STSP:PPOB