

## **FAQ's for Relocation Compensation**

Effective July 1, 2018; Washington State University is making a change in its policies for relocation of household goods in order to support lump sum relocation compensation as the only form of compensation to employees for expenses related to relocating to take a job with the University. The below is intended to answer the frequently asked questions that may arise as well as explain the exception for laboratory or other equipment being moved that will become the property of the University upon hire of the employee.

### **1. What is a lump sum relocation compensation?**

- a. The lump sum relocation compensation facilitates paying an employee for expenses associated with a move to the University. This is a one-time payment processed through Payroll that will be included within the first month of an employee's employment if everything is set up correctly (see #3 below on the steps for a lump sum allowance). Eligibility requirements are outlined on the OFM website under [SAAM 60.10](#), if there are questions, please contact your HR Officer.
- b. The amount offered must be within existing resources at the department, paid for by the hiring department, and should not exceed 10% of the employee's first year total compensation unless an exception is provided by a Dean, Vice President, Chancellor or their designee.
- c. The lump sum relocation compensation is intended to be used for all moving and travel expenses associated with the new employee's relocation, and they should not expect additional payments or reimbursements related to their move.
- d. With the tax rule changes taking effect on January 1, 2018; all payments and withholdings for moving household items or personal effects will be reported on the employee's W-2.
- e. Individuals should consult their tax adviser to determine whether any deductions may be available to them since the University cannot provide any personal tax advice regarding this payment.
- f. If within one year of the date of appointment the employee voluntarily terminates employment, or engages in behavior that makes termination of employment necessary, the full amount of the relocation allowance payment must be repaid to the University. Termination of employment as a result of layoff, disability separation, or other good cause as determined by the Provost or Vice President for Human Resources, or their respective designees, will not require repayment of the relocation compensation.

### **2. Why is the University implementing a lump sum only policy for relocations?**

- a. The University has utilized lump sum relocation compensation for years, but held off on eliminating the direct payment of moving expenses for employees as it was not considered taxable compensation to the employee and thus provided a tax benefit. When the tax laws changed effective January 1, 2018, all moving expenses for household goods or personal effects became taxable compensation to the moving employee including moves paid on the employee's behalf to a third-party vendor. With

the tax benefit eliminated, the University has decided to shift towards lump sum relocation compensation only.

- b. The processing of relocation payments and documentation are very time consuming for the University, the hiring departments and the new employees.
- c. There will no longer be the need to substantiate and document relocation expenses and the newly hired employee will have maximum flexibility with any funds provided via the lump sum moving allowance.
- d. This change in policy will free up resources in Purchasing Services, Travel, Payroll and Accounts Payable and department fiscal officers to pursue more value-added activity.

### **3. How do I set up relocation compensation correctly?**

- a. First make sure that the appropriate administrative approvals are in place to offer relocation compensation. Refer to WSU BPPM 55.62  
<https://policies.wsu.edu/prf/index/manuals/55-00-payroll/55-62-relocation-compensation/>
- b. Include the relocation compensation amount in the employee's offer letter along with any other recommendations provided by your HRS Consultant.
- c. Seek Dean, Vice President, or designee approval if the relocation compensation is going to exceed 10% of the employee's annual compensation.
- d. Include language in the offer letter that the relocation compensation will be reported on the employee's W-2 and that if the employee causes their own termination in the first year of employment they will be responsible for repayment of the relocation compensation.
- e. The employing department processes a Relocation Compensation Request to request payment through Payroll. The Relocation Compensation Request form can be accessed via the following link (requires a WSU user ID and Password):  
<http://policies.wsu.edu/prf/documents/2017/10/55-62-relocation-compensation-request.pdf>

### **4. What about moving laboratory or other professional items?**

- a. Expenses incurred for relocating laboratory, scholarly collection, or research equipment that becomes the property of the university upon arrival are considered ordinary and necessary university business expenses and must not be coded as relocation expenses of household and personal moving expenses. These expenses will not be considered taxable compensation for the moving employee. WSU BPPM 70.60 has more information on how to process a laboratory, scholarly collection, or research equipment move.

### **5. Can a current employee that is required to move to another University location receive relocation compensation?**

- a. University employees who must relocate to another geographic location as part of their University employment are eligible to receive relocation compensation under the following conditions:
  - i. The employee will establish residence at the new location.
  - ii. The relocation will last for a minimum of six months.
  - iii. An employee who has a position that requires living in another geographic location, with periodic return stays to the campus where the regular position is held can only receive one lump sum relocation compensation payment.
  - iv. An employee who has received relocation compensation in the past may become eligible to receive another lump sum allowance payment if the employee must make a domiciliary relocation to move to a different geographic location as required for their University duties for a minimum of six months.

**6. Are there any fund type restrictions for lump sum relocation compensation?**

- a. As long as departments stay below the 10% of annual salary threshold there are no fund type restrictions. Any federally funded relocation compensation must remain below the 10% threshold, with anything over the 10% to be covered by 17A funds.

**7. Are there any other factors that we need to consider for the lump sum relocation compensation?**

- a. Since the in-coming employee cannot receive the compensation until they are in the WSU Payroll system, they typically would not receive the funds until either the first or second paycheck upon arriving. Ideally, if all proper paperwork is in place, the employee would see the amount in their first paycheck.
- b. Departmental administration has expressed concerns that the help provided by Purchasing Services and departmental resources with moves has been a value-add when trying to recruit employees. Departmental personnel along with Purchasing Services employees can still answer questions and help with moves, but should be careful to not get involved with the moving agreement or its obligations. The lump sum relocation compensation allows the moving employee to be in full control of the moving company that is chosen.
- c. When processing moves in the past that were to be paid directly by the university, there were state contract vendors and rates to utilize. The employees can still choose to work with these state approved moving companies, but many may not provide the same state benefits or rates if they are not contracting directly with a state agency or institution of higher education. The university will refer employees to the state contract approved movers *as informational only* (not as an endorsement nor as an indicator that any preferential rates will be provided) that these moving companies are approved and vetted by the State of Washington. The list of movers in the state of Washington approved by the state to provide such services can be found at the following website; which may be updated from time-to-time:

<https://fortress.wa.gov/es/apps/ContractSearch/ContractSummary.aspx?c=01813>