

STATE CONTROLLER'S OFFICE
PERSONNEL AND PAYROLL SERVICES DIVISION
P.O. BOX 942850
SACRAMENTO, CA 94250-5878

DATE: August 9, 2018

PAYROLL LETTER #18-015

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

FROM: Marissa Revelino, Chief
Personnel and Payroll Services Division

RE: ADDENDUM TO SUSPENSION OF MOVING EXPENSE EXCLUSION FROM TAXABLE WAGES

This letter clarifies the impact of previously released Payroll Letter # 18-003 on California and New York Personal Income Tax Laws. California does not conform to the federal suspension of exclusion from income of qualified moving expense reimbursements. California conforms to the federal rules relating to the qualified moving (relocation/ mileage) expense reimbursement exclusion from gross income and wages under Internal Revenue Code (IRC) Section 132(f), in effect on January 1, 2015. New York does not conform to the federal treatment of moving expense reimbursements and allows an exclusion in the amount allowed by IRC Sections 132 (g) and 217 immediately prior to the enactment of Public Law 115-97 (Tax Cuts and Jobs Act). As a result, all such reimbursements remain excludable from California and New York wage reporting, Personal Income Tax (PIT), and State Disability Income (SDI) withholding for tax years 2018 to 2025.

GENERAL INFORMATION

In May 2018, the Franchise Tax Board released a [Summary of Federal Tax Changes](#) (conformity report) explaining the extent of the federal changes and the corresponding impact on California Personal Income Tax Law. The new federal law includes as taxable wages any moving expenses paid to or on behalf of the employees. This office just completed a review of the taxability of qualified moving reimbursements for California PIT and SDI purposes under the new federal H. R. 1, Tax Cuts, and Jobs Act. We requested and received confirmation from a Franchise Tax Board Tax Advocate that these reimbursements are non-taxable under California Personal Income Tax Law (California Revenue and Taxation Code Section 17131).

New York has passed 2018 N. Y. S. B. 7509 parting from amendments to IRC Sections 132 (g) and 217 made by Pub. L. 115-97.

As a result, effective January 1, 2018:

Qualified moving/relocation/mileage expense reimbursements reported to the State Controller's Office effective January 1, 2018 will be amended to exclude California and New York PIT and SDI taxation and withholding.

Reporting for Qualified Moving Expense Reimbursements after August 10, 2018 must follow the reporting instructions listed below for non-withholding of California and New York PIT and SDI.

The State Controller's Office will reduce employees' 2018 California and New York wage amounts for the Qualified Moving Expense Reimbursements previously reported. The Controller's Office will also issue the adjustments for withheld state income and state disability income taxes to the employees affected from January 2018 to present. Employees' Forms W-2 for 2018 (and thereafter) will not include these reimbursements in the "State wages, tips, etc." box. Agencies and Campuses need NOT submit wage correction documents.

REPORTING INSTRUCTIONS

Continue to report qualified moving/relocation/mileage expense reimbursements to the State Controller's Office as these amounts are still subject to Federal wage reporting and tax withholding.

Follow the instructions below when reporting qualified moving expense reimbursement amounts on the Forms STD. 676P/V and STD. 675.

DOCUMENT

FORM STD. 676P/V

Reference the Payroll Procedures Manual (PPM), Section N 147 and Section N 170 through 176

FORM STD. 675

Reference the PPM, Section N 147

PROCESS

Federal Income and Social Security/ Medicare Taxes only are withheld Leave the "State Code" (Column 8) BLANK

Federal Income and Social Security/ Medicare Taxes only are withheld. Leave the "State Code" (Column 8) and "State Income Tax" (Column 9) BLANK

The California and New York non-taxation of all employer-paid moving cost reimbursements will be published in the next update of the Payroll Procedures Manual.

If you have any questions regarding this Payroll Letter, please contact the Statewide Customer Contact Center at (916) 372-7200 and select the Statewide W-2 Tax Support Program.

MR:AR:EO:STSP:PPOB