

Manager Fact Sheet: Relocation Assistance

April 2010

Introduction:

This fact sheet provides information and recommended best practices to state human resource professionals and managers considering relocation assistance programs.

Program Design:

The agency's relocation program should address these three main goals. It should:

1. encourage current employees to relocate to new assignments,
2. attract well qualified people to your agency, and
3. integrate employees into their new work and home environments as quickly as possible to minimize reduced productivity.

Agency managers should consider how the relocation program will support their agency's mission, goals and objectives. Managers should consider:

- *Current and future agency structure.* Do you have plans to close offices or relocate work sites? Have certain agency programs been targeted for expansion or reduction?
- *Recruiting and retaining qualified employees.* Do you have chronic difficulties filling certain positions? Do certain positions have exceedingly high turnover rates? Do workforce statistics indicate a chronic shortage of workers in specific occupations?

- *Agency's financial resources and restrictions on funding sources.* Can your agency afford the resources necessary to implement and maintain a comprehensive relocation assistance program? What are the costs of not having a relocation program? Will there be increased turnover costs or costs from failed relocation efforts?
- *Employee development objectives.* Does your agency want current employees to grow into higher-level positions? Will this approach require employee relocation?
- *Tax implications for the employee.* How should moving expenses be reported? What moving expenses are considered taxable income? Which ones are deductible?
- *Scope of the program.* Will the program apply to all employee groups or specific groups of employees? Will the program target specific work units? Will the program offer a variety of relocation services?

Several levels of relocation assistance may be included in your agency's relocation program. For example, you may have one level for new employees, another for transferring employees, and yet another for senior management. Much depends on your agency's needs. If your agency is having difficulty recruiting new employees, more generous relocation benefits for new hires may be in order. If your agency can foresee retention problems on the horizon, a similar approach for current employees may be desirable.

Relocation Support Services

Your agency may include a wide range of relocation support services in its moving and relocation program. In addition to reimbursement for traditional moving expenses, you may offer other services to help an employee's transition into a new location.

Many progressive organizations offer numerous relocation support services. You may want to consider including the following services in your agency's relocation program.

- Child or family-care during house hunting trips
- Relocating partners
- Welcoming committee
- Cost of living data
- Information about schools, child care, medical care, and elder care
- Information about social clubs and other leisure activities
- Spousal employment assistance
- Trips to view the new worksite and meet potential coworkers
- Home finding assistance
- Mortgage pre-qualification assistance

An agency may choose to hire relocation vendors to provide expanded relocation services. As an example, an agency may provide assistance in finding a house or help an employee's spouse find a job.

Taxable and Non-Taxable Relocation Expenses

Many employee relocation expense reimbursements are considered taxable income whether they are paid directly to the employee or to a third party. These reimbursements need to be reported on the employee's annual W-2 form. These include:

- Temporary living expenses
- Expenses of buying or selling a home
- Meal expenses
- Pre-move house hunting expenses

The IRS considers other moving expenses as non-taxable expenses. These include:

- Transportation of household goods and personal effects
- In-transit storage for up to 30 days
- Final trip travel and lodging (excluding meals)

Non-taxable expenses paid directly to a third party are "non-reportable" and not included on an employee's W-2 form. Non-taxable expenses paid directly to an employee should be included on an employee's W-2 form.

Visit the IRS at www.irs.gov for more information about taxable income. Search for IRS publication 521.

Alternative accessible formats of this Fact Sheet will be provided on request. Persons who need an alternative format should contact the State Human Resources Division, Department of Administration, 125 N. Roberts St., PO Box 200127, Helena, MT 59620-0127. Telephone 406-444-3871. Those using a TTY may call through the Montana Relay Service at 711.