

Introduction:

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

Program Design:

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

1. Encourage current employees to relocate to new assignments.
2. Attract well-qualified people to your agency.
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 supports 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 ongoing 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? What potential costs may arise from increased turnover costs or 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.* The tax changes effective January 1, 2018, require all moving expenses to be reported as taxable income.
- *Scope of the program.* Will the program apply to all employee groups or only 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. Each depends on your agency's needs. If your agency is having difficulty recruiting new employees, more generous relocation benefits for new hires may be necessary. If your agency can foresee retention problems, 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 with finding a house or help an employee's spouse find a job.

Relocation Expenses are Taxable

Effective January 1, 2018, if the agency pays for all or part of an employee's moving expenses, any payment for relocation is considered taxable income and will be reported on their W-2. Employees will also **not** be able to deduct personal moving expenses incurred for relocation starting in tax year 2018. The only exception is for taxpayers who are members of the military on active duty who move pursuant to a military order.

References

- Tax Reform suspends the application of the IRC Section 217 and 132 (g), from January 1, 2018, through December 31, 2025, for nontaxable relocation expense.
- Visit the IRS website at www.irs.gov for more information.

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.