February 23, 2006

ADMINISTRATIVE PROCEDURES MEMORANDUM NO. 06-02

TO: University Administrators and Chancellors

FROM: Howard Todo  
Vice President for Budget and Finance  
Chief Financial Officer

SUBJECT: ADMINISTRATIVE PROCEDURE A8.863 – RELOCATION ALLOWANCES

Transmitted herewith is the Administrative Procedure A8.863 - Relocation Allowances. The major revision to this Administrative Procedure is to update the position title of Vice President for Administration to Vice President for Budget and Finance/Chief Financial Officer to reflect the current organizational structure.

The Administrative Procedure A8.863 - Relocation Allowances has been updated and is available at http://www.hawaii.edu/svpa/apm/disb/a8863.

Any questions concerning these procedures should be directed to Michael Wong at 956-8575.
A8.863 Relocation Allowances

1. **Reference**

   Board of Regents' policy, Section 9-9 Relocation Allowances.

2. **Purpose**

   The purpose of the relocation allowance is to partially reimburse an eligible new or transferred employee for reasonable travel expenses as part of a household move. The relocation allowance is discretionary on the part of the program manager and is subject to availability of funds.

3. **Responsibilities**

   a. Deans/Directors/Vice Chancellors/Vice Presidents/Chancellors are responsible for ensuring that relocation allowances they approve are in compliance with this procedure and are consistently applied.

   b. **Department**

      Request advance approval from Dean or equivalent. Inform appointee of the following: 1) allowable moving expenses that will be paid and the limitations on such payments; 2) retention of original receipts; and 3) the IRS guidelines regarding reimbursement of moving expenses. Prepare the Relocation Allowance Request form (FMIS 17) after the move.

   c. The Office of Human Resources and the Disbursing and Payroll Office are responsible for policy administration. The Office of Human Resources is responsible for employee eligibility and return of relocation allowance determinations, while the Disbursing and Payroll Office is responsible for payment matters.
4. Basic Rules

a. Relocation allowance reimbursements may be processed only for UH Board of Regents appointees with regular, full-time appointments of at least one year. As such, relocation allowances shall not be paid to individuals such as civil service employees, visiting faculty and staff, casual appointees, consultants, student help, graduate assistants, postdoctoral fellows paid by stipends, etc.

b. Relocation allowance reimbursements may be made from State and extramural sources of funds if funds are available in the department’s budget. If funding is from contracts or grants administered by the Office of Research Services, written approval from the contracting/granting agency must be obtained.

c. Allowable Reimbursements—Receipts to Substantiate the Payment Must Accompany All Reimbursement Claims

1) Airfare

Transportation may not exceed coach class airfare by the most direct or least expensive route for the new employee, spouse, and dependent children.

2) Automobile Mileage

If the relocation includes the use of a private automobile, the appointee is to be reimbursed for mileage from the old residence to the shipping terminal and reimbursement is based on the moving federal allowable mileage rate as listed in IRS Publication 521.

- Mileage is based on constructive highway miles for the most direct route, not your odometer reading.

- Use Mapquest as a mileage counter.

- Reasonable miles traveled per day (400 or more).

- Parking fees and toll charges up to the day of arrival may be claimed for reimbursement.
3) Lodging

Limited to overnight accommodations by the most direct and economical route, up to the day of arrival. The total lodging reimbursement (connected with mileage reimbursement) shall be compared against the cost of airfare and lodging for all eligible family members and reimbursement shall be limited to the lower of the two alternatives. Receipts to substantiate the payment must accompany all reimbursement claims. It should be noted that meals are not a reimbursable expense.

4) Shipping Costs

The costs of shipping personal effects and professional materials through commercial vendors or the postal service are reimbursable only from the appointee’s former home.

The appointee should be advised to seek the lowest priced vendor. As a general rule, the appointee should solicit three price quotations and select the lowest.

The department is responsible for ensuring that the costs to the University are reasonable and are within the limits of the current policy.

5) Taxi

Taxi fare to the airport on the day of departure and from the airport on the day of arrival are allowable.

d. Method of Payment

All relocation allowances are to be processed on the Relocation Allowance Request form (FMIS 17) and the Worksheet for W-2 Reporting of Moving Expenses (FMIS 17A) on a reimbursement basis. The appointee should be forewarned of the reimbursement requirement and the personal responsibility of the appointee to make initial payments.

e. To avoid any misunderstanding, the appointee should be informed of the University’s relocation policy which
basically reimburses appointees for reasonable costs within specified guidelines and amounts.

f. The appointee must agree to reimburse the University for the full amount of the relocation expense paid in the event the new employee does not complete a full year of service after the relocation. Each department/unit office is responsible for maintaining a file of completed Relocation Allowance-Receipt, Acknowledgment and Agreement Statements (Attachment 3) and to initiate collection activities if the appointee does not fulfill his/her obligation.

g. The request for relocation allowance for an appointee is not to be split and processed on more than one FMIS 17 and FMIS 17A. A special procedure must be followed if partial payments are required due to delayed receipt of supporting documents, family members traveling at different times, etc. (refer to Section 7 for details).

5. Authorization

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<tr>
<td>Vice Presidents or Chancellors</td>
<td>Respective units</td>
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<td>Vice President for Budget and Finance/ Chief Financial Officer</td>
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a. Authorization to approve relocation allowances, not exceeding $8,000, is delegated to respective Deans, Directors, and Vice Chancellors.

b. Authorization to approve relocation allowances in excess of $8,000 is delegated to the Vice President and/or Chancellor
responsible for the program. A justification for the excess must be submitted with the Relocation Request.

c. Exceptions. The Vice Presidents or Chancellors are also delegated the authority to grant the following exceptions to the allowable relocation expenses.

- Car rental in Hawaii after the day of arrival

- Temporary housing in Hawaii after the day of arrival

- Issuance of a purchase order to a vendor on behalf of the appointee for airfare, shipping and temporary housing. If a purchase order is to be issued to a third party vendor on behalf of the prospective employee, the department should comply with the University procurement guidelines for small purchases (refer to A8.250).

The criteria specified in Section 4.d must be used to justify the excess allowance request. All Relocation Allowance Request forms which relate to requests to exceed the authorized ceiling of the requesting individual must be appropriately certified in the special signature block, "EXCESS ALLOWANCE APPROVAL:" by the Vice President or Chancellor.

d. Authorization to approve all other exceptions to the allowable reimbursements and/or to the rules and procedures is delegated to the Vice President for Budget and Finance/Chief Financial Officer. The exception request must be submitted to the Vice President for Budget and Finance/Chief Financial Officer with a justification for the request. The criteria specified in Section 4.d must be used to justify the exception request. All Relocation Allowance Requests which relate to requests for exceptions must be appropriately certified in the special signature block "EXCEPTION ALLOWANCE APPROVAL:" by the Vice President for Budget and Finance/Chief Financial Officer.

Exceptions to the allowable reimbursements may be subject to tax withholdings.
e. Due to the fact that relocation costs are processed as after-the-fact reimbursements to appointees, prior approval for both excess and exception requests must be obtained. No offer or commitment is to be made to the appointee until approval has been obtained.

On all excess and exception requests, the following criteria must be used as guidelines:

1) The excess and/or exception is necessary to attract a candidate who would otherwise not relocate to Hawaii.

2) There is no other equally qualified and acceptable candidate who can be attracted without an excess and/or exception.

3) The total allowance shall not exceed the actual cost of relocation as determined by suitable documentation of the actual cost.

f. The authority of Deans, Directors, Vice Chancellors, Chancellors, and Vice Presidents to approve relocation requests cannot be further delegated to designees.

6. Tax Implications

For IRS purposes relocation expenses are referred to as moving expenses. Moving expenses include only expenses incurred in moving to a new home because of a change in job location or the start of a new job.

Reimbursement of moving expenses is considered income unless they can be categorized as deductible. Moving expense reimbursements fall under two categories: (1) deductible moving expenses; and (2) non-deductible moving expenses.

Deductible Moving Expenses

Deductible moving expenses are considered fringe benefits excludable from the appointee’s income as qualified moving expense reimbursements. The appointee may deduct their moving expenses if they meet the following requirements.
a) The move must meet the distance test. The new job location must be at least 50 miles farther from your former home than your old job location.

b) The move must meet the time test. Appointee must work full time for at least 39 weeks during the first 12 months after they arrive in the general area of their new job location.

c) If appointee meets the distance and time tests, they may deduct the reasonable expenses of:
   - Moving household goods and personal effects (including in-transit or foreign-move storage expenses), and
   - Traveling (includes lodging) to their new home up to the day they arrive.

d) For further clarification and understanding of the deductibility of moving expenses, please consult with your tax professional.

Non-Deductible Moving Expenses

Reimbursements made to the appointee that do not meet all of the above requirements are considered non-deductible moving expenses and must be included in appointee’s gross income as wages and are subject to tax withholdings. Non-deductible moving expense reimbursements will be added to the appointee’s regular wages and taxes will be withheld from appointee’s regular wages. The effect of the increased tax base will result in a reduction in appointee’s normal net pay in the pay period/s processed. Appointees must plan accordingly, for the reduction in net pay may be substantial.

Use FMIS 17A to determine deductible versus non-deductible reimbursements. A general definition of deductible and non-deductible expenses is also provided in the instructions for FMIS 17A. Specific itemized expenses are listed on the face of the form.

Departments must complete the revised FMIS 17 and the new FMIS 17A, requiring the use of two object symbols:
7. **Payment Procedures**

The appropriate Program Head initiates the Relocation Allowance Request form, FMIS-17 (Attachment 1); obtains the required signatures; and attaches all required supporting documents (offer letter, invoices and proof of payment receipts).

FMIS 17A must be completed by the appropriate Fiscal Officer to determine reimbursements that are deductible versus non-deductible.

Completed FMIS 17 (original and 1 copy), supporting documents (original invoices), and FMIS 17A (original and 3 copies) must be submitted to the Disbursing Accounts Payable Section.

Upon receipt of the relocation allowance checks and FMIS 17A, the appointee must complete and sign the Relocation Allowance Receipt, Acknowledgment and Agreement Statement (FMIS-17B). The Statement should also be signed by the approving authority and the Fiscal Officer to ensure compliance with the repayment agreement. The department/unit office is to retain this document and initiate collection activities if the appointee does not fulfill his/her obligation.

8. **Partial Reimbursement Payments**

Under unusual circumstances, partial reimbursement claims may be required because some support documents are delayed, family members are traveling at different times, some personal effects are shipped at a later date, etc. However, complete reimbursement claims should be processed as soon as possible and in no situation should the claim be delayed beyond one year (from the date of appointment).

The following procedures should be followed:
a) The "PARTIAL" block should be checked in the top left corner of each Relocation Allowance Request (FMIS-17) beginning with the initial one.

b) Only the amount being claimed for reimbursement should be reflected in the "Total Amount" section and itemized in the body of the initial form. A footnote at the bottom of the itemized section is required to explain the situation and identify the pending cost items.

c) Only the amount being claimed for reimbursement should be reflected in the "Total Amount" section and itemized in the body of subsequent forms. A footnote at the bottom of the form is required to indicate final payment. The cumulative partial payments are not to exceed the authorized ceiling of the authorizing individual.

d) A separate FMIS 17A should be completed for each FMIS 17 to match relocation expense claim totals.

9. Availability of Forms

The following PDF fillable forms are available on-line at http://www.fmo.hawaii.edu/FMIS/formfair.html

FMIS-17  Relocation Allowance Request

FMIS-17A  Employee Relocation Allowance Worksheet

FMIS-17B  Relocation Allowance Receipt, Acknowledgment and Agreement Statement