

Temp. Duty Travel Allowances

§ 301-11.627

§ 301-11.538 May we offer a lump sum payment to cover the income tax liability on the covered ITRA?

Yes, if the employee mutually agrees in writing to the lump sum payment and understands that he/she is responsible for any income taxes without further reimbursement. (See the illustration in § 301-11.527.)

§ 301-11.539 If the employee does not elect a lump sum payment, how is the tax on the ITRA calculated?

The tax on the ITRA reimbursement should be calculated using the Year 2 formulas developed for the relocation income tax allowance. (See § 302-11.8.)

§ 301-11.540 How do we handle any excess payment?

You must collect any excess payments, which includes issuing corrected W-2's or 1099's.

Subpart F—Income Tax Reimbursement Allowance (ITRA), Tax Years 1995 and Thereafter

SOURCE: 7, 64 FR 32815, June 18, 1999, unless otherwise noted.

GENERAL

§ 301-11.601 What is the Income Tax Reimbursement Allowance (ITRA)?

The ITRA is an allowance designed to reimburse Federal, State and local income taxes incurred incident to an extended TDY assignment at one location.

§ 301-11.602 Who is eligible to receive the ITRA?

An employee (and spouse, if filing jointly) who was in a TDY status for an extended period at one location and who incurred Federal, State, or local income taxes on amounts received as reimbursement for official travel expenses.

§ 301-11.603 Are Federal Insurance Contribution Act (FICA) and Medicare deductions included in any reimbursement under this part?

No. Reimbursement is limited to income taxes.

EMPLOYEE RESPONSIBILITIES

§ 301-11.621 Must I file a claim to be reimbursed for the additional income taxes incurred?

Yes, a claim must be submitted in accordance with your agency's policy.

§ 301-11.622 If I was assessed an income tax penalty and/or interest payment due to incorrect income tax withholdings, are those payments reimbursable?

No. The reimbursement of tax penalty and/or interest payment assessed by the IRS is limited by law to tax years 1993 and 1994 only.

§ 301-11.623 What documentation must I submit to substantiate my claim?

Your agency will determine what documentation is sufficient. (See § 301-11.631.)

§ 301-11.624 What steps must my agency take to determine my ITRA?

Your agency should:

(a) Determine Federal, State and local marginal tax rates by using the procedures and the marginal tax tables established for the relocation income tax allowance in § 302-11.7, § 302-11.8 and Appendices A, B, C and D to part 302-11 of this title; or

(b) Determine reimbursement as calculated in the illustration shown in § 301-11.535.

§ 301-11.625 Is the ITRA I receive taxable income?

Yes. The amount received must be reported as taxable income in the year in which received, but you are eligible to receive an allowance to cover the taxes assessed on the ITRA under § 301-11.628.

§ 301-11.626 May I receive a lump sum payment of the additional tax liability on the covered ITRA in lieu of submitting another claim?

Yes, if agreed to in writing by your agency and with the understanding that you will be responsible for any income taxes due without further reimbursement.

§ 301-11.627 If I elect a lump sum payment, how is the ITRA paid?

(a) Reimbursement is as illustrated:

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LUMP SUM ITRA TAX PAID TO EMPLOYEE

ITRA reimbursement for tax year 1995	\$14,435
Federal Tax liability on ITRA Reimbursement (@ 28%)	4,042
VA State tax liability (@ 5.75%)	830
Local tax liability	0
Total reimbursement	19,307

(b) Reimbursement of the ITRA and tax on the ITRA is a final lump sum payment with no further reimbursement. You will be responsible for any income taxes due on \$19,307.

§ 301-11.628 If I do not elect lump sum payment is there any additional reimbursement?

Yes. You are reimbursed for the tax on the tax reimbursement received. Your agency will calculate the tax on the tax reimbursement using the formulas developed for the Year 2 reimbursements of the relocation income tax allowance (see §302-11.8 of this title).

AGENCY RESPONSIBILITIES

§ 301-11.631 What documentation must the employee submit to substantiate a claim?

You must determine what documentation you require to be submitted with the employee's claim. It may include:

- (a) A certified statement as prescribed in §302-11.10 of this title or a copy of the employee's completed Federal, State and local tax return for the tax year in which the taxes were withheld and paid.
- (b) Copies of W-2's and Form 1099's; and

(c) Any other documentation necessary to substantiate your claim.

§ 301-11.632 How should we compute the employee's ITRA?

You should follow the procedures prescribed for the relocation income tax allowance, see §302-11.7, §302-11.8 and Appendices A, B, C, and D to part 302-11 of this title or as illustrated in §301-11.535.

§ 301-11.633 Are tax penalty and interest payments reimbursable?

No. The reimbursement of penalty and/or interest payments assessed by the IRS is limited by law to tax years 1993 and 1994 only.

§ 301-11.634 What tax tables should we use to calculate the amount of allowable reimbursement?

The tax tables for the year the tax was incurred are to be used.

§ 301-11.635 How should we calculate the ITRA?

Use the documents prescribed in §301-11.631 to calculate the ITRA as follows:

- (a) Determine Federal, State and local marginal tax rates by using the procedures and the marginal tax tables established for the relocation income tax allowance in §302-11.7, §302-11.8 and Appendices A, B, C and D to part 302-11 of this title, or
- (b) As calculated in the following illustration.

Example of calculating an employee's tax return using the marginal tax rate schedules in Appendix B to part 302-11 of this title:

FOR TAX YEAR 1995 AND THEREAFTER
[MARRIED FILING JOINT RETURN]

	Original	Recalculated
1. Adjusted Gross Income (w/ travel reimbursement):	\$75,246	\$75,246
2. Subtract travel reimbursement:		(15,482)
3. Subtract personal exemptions and itemized or standard deductions	(12,689)	(12,689)
4. Adjusted taxable income	62,557	47,075
5. Tax liability on adjusted taxable income:		
a. Federal (28%)	17,516	*7,061 (15%)
b. State, VA (5.75% tax bracket)	3,597	2,707
c. Local: Not applicable	0	0
d. Total	21,113	9,768
6. Difference of total of column 1 minus total of column 2: Additional Taxes Incurred due to travel reimbursement—\$11,345		