Relocation Compensation

**OVERVIEW**
A dean or equivalent administrator may approve a lump sum payment for relocation compensation in order to recruit a qualified candidate who must move in order to accept the position. The maximum payment amount is limited by the existing resources available to the department or college. (RCW 43.03.125)

**Other Programs**
The state of Washington and WSU offer other programs for supporting domiciliary moves (see BPPM 70.61 and 70.62). In addition to relocation compensation, either or both of these programs may be used to assist an employee who relocates to accept a WSU position.

**Source of Funding**
Relocation compensation may be supported by state accounts and accounts in program 17A (discretionary accounts). Sponsored accounts (programs 11-14) may support relocation compensation if funding is specifically itemized in the approved budget.

**Taxation**
Federal law requires that employees pay taxes on the lump sum relocation compensation payment. (P.L. 103-66) The University is required to report relocation compensation on employees' W-2 forms.

**Employment Requirement**
If the employee terminates employment or causes termination with WSU within one year of the employment date, the employee is responsible for repaying the University for the full amount of the relocation compensation.

NOTE: Repayment is not required if termination is for reasons of layoff, disability separation, or other good cause as determined by the Associate Vice President and Chief Human Resource Officer.

**PROCEDURES**
Payroll Services processes relocation compensation as additional compensation to the employee.

**Request Form**
The employing department processes a Relocation Compensation Request to request payment.

**Total Compensation/Deductions**
Income taxes, social security, and Medicare taxes are deducted from the total amount provided to the employee. The department indicates the total payment amount under Total Relocation Compensation.

Payroll Services deducts the following from all payments:

- Withholding tax (If the award is issued as a separate check, withholding tax is calculated at the supplemental rate of 25 percent of gross. If the award is paid with the employee's regular paycheck, withholding is calculated in accordance with the employee's W-4 declaration (see BPPM 55.10).)

Relocation Compensation

Compensation/Deductions (cont.)

- Social Security (6.2% of gross)
- Medicare (1.45% of gross)

Payroll Services can calculate the compensation one of two ways, gross to net or gross up. Either way, Payroll Services makes appropriate deductions and remits and reports them to the federal government.

Unless the gross-up method is specifically requested by the department in Comments, Payroll Services assumes that the request is for calculation using the gross-to-net method.

Gross to Net

EXAMPLE: Using the gross-to-net method, Payroll Services would generate a payment to the employee of $673.50 from a taxable gross relocation compensation payment of $1000.

Gross Up

If the department wants the employee to actually receive a set amount with taxes and withholding prepaid, Payroll Services would calculate the necessary gross using the gross-up method. EXAMPLE: To generate a check to the employee of $1000, the department would have to actually pay $1598.37, i.e., $1484.78 gross and $113.59 in contributions.

Account

Enter the account code for the account that will support the relocation compensation and matching contributions for social security and Medicare.

Authorization

A dean or equivalent administrator approves payment.

Recipient Signature

The recipient of the compensation signs the form indicating that he or she understands that a minimum employment period of one year must be served in order to avoid repayment.

Routing

Route the completed and approved form to Payroll Services, mail code 1024.