



TaxNewsFlash

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Notice 2018-75: Employer reimbursements made in 2018 for employee moving expenses in 2017

The IRS today released an advance version of Notice 2018-75 as guidance concerning the tax treatment of employer reimbursements of “qualified moving expenses.”

Before the new U.S. tax law, reimbursements made by employers for the qualified moving expense of their employees generally were excludable from an employee’s gross income and from wages for employment tax purposes. The new U.S. tax law (Pub. L. No. 115-97, enacted December 22, 2017) suspended the exclusion from gross income and from wages for employment tax purposes for qualified moving expense reimbursements for years 2018-2025. [The exclusion was preserved for members of the U.S. Armed Forces and their family members.] The suspension of the income and wage exclusion is effective for tax years beginning after December 31, 2017.

[**Notice 2018-75**](#) [PDF 47 KB] specifically addresses employer reimbursements made in tax years beginning after December 31, 2017, for qualified moving expenses incurred in connection with a move that occurred before 2018. The IRS notice states that reimbursements received after 2017 for a move made before 2018 will not be subject to the suspension of the income exclusion.

To qualify, the reimbursements or payments must be for work-related moving expenses that would have been deductible by the employee if the employee had directly paid them prior to January 1, 2018. Also, the employee must not have deducted the expenses in 2017.

As an example, the IRS notice explains that if an individual moved in 2017 and the expenses for the move would have been deductible by the individual under section 217 as in effect before the new tax law if the expenses had been paid directly by the individual in 2017, and if the individual did not deduct the moving expenses, then the

amount received (directly or indirectly) in 2018 by the individual from an employer as payment for or reimbursement of the expenses will be a qualified moving reimbursement. As such, the payment or reimbursement of the expenses is excludable from income as a qualified moving expense reimbursement and the amount is both excludable from wages and excludable from compensation for employment tax purposes.

The IRS notice addresses how employers that have included these amounts in their employees' wages or compensation and have withheld and paid federal employment taxes on these amounts can seek an adjustment or a refund for the overpayment.

A related IRS release—[IR-2018-190](#)—explains it this way: Employer reimbursements made in 2018 for moves by employees in 2017 are “generally tax-free.”

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