



**Relocation
Management**

Ten Things Every Transferee Should Know Before Moving



1. Income will be inflated due to moving expenses paid by your company. Make sure that your federal and state withholdings are sufficient to cover the increase. Also, the year after the move, most transferees are more likely to be under-withheld. If in doubt, contact your tax advisor.
2. Make sure that a state W-4 form has been prepared and given to your payroll department so that withholding is being taken out in the proper state. **You are required to have withholding taken in the state that you work in, even if you are a resident of another state!** This should become effective the first paycheck received in the new place of employment.
3. In addition to the state, your new city may also require tax to be withheld. Review your first pay stub to make sure that this is being done (if applicable).
4. Keep in mind that excess FICA withheld from two or more employers is refundable. (Line 66 IRS tax form 1040)
This affects both working spouses.
5. You have two years to satisfy the time test, and to establish permanent residence, in order to deduct moving expenses.
6. Special costs, that are unique to you, are also deductible as moving expenses such as pets, horses, aquariums, and tips paid to movers and packers.
7. The cost of moving students from their college to the new location is deductible.
8. In the year that you move, remember that any non-amortized points on a refinanced loan can be deducted if you sell your house.
9. Premature distributions from pension plans are not only taxable as income but incur a 10% penalty unless rolled over within 60 days. There is often a misconception how the rules for the first-time homebuyers work. Also, in the year of a move, income is inflated and this is probably not a good time to take an early distribution.
10. The year after the move, significant potential for under-withholding penalties exist. It is very hard to meet any of the safe harbor rules. (Owe < \$1,000, pay at least 110% of last year's liability, have more withheld this year than last year's liability.)