

**PROCEDURES FOR TAXABLE PAYMENTS
MADE TO FUTURE EMPLOYEES**

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I. Purpose

On occasion, the FAS must make taxable and tax-reportable payments to individuals who have accepted employment in the Faculty of Arts and Sciences, but whose appointments begin at a future date. Most commonly, such payments relate to qualified and non-qualified moving expenses for a new faculty. This document communicates the procedures for making these taxable and tax-reportable payments.

These procedures do not apply to non-taxable reimbursements; nor do they apply to taxable or tax-reportable payments made to current employees.

II. Eligibility

The following types of employees are eligible to receive these types of payments before their appointments begin:

- Full- and part-time faculty (paid or appointed in payroll object codes 6010, 6020, or 6030)
- Full- and part-time staff (paid or appointed in payroll object codes 6050/1, 6070/1, 6080, 6090, or 6120)
- Teaching Fellows, Research Assistants, Teaching Assistants, and non-stipendiary Post-docs (paid or appointed in payroll object codes 6140 or 6150/2)

Ineligible for these types of payments are undergraduate students; stipendiary post-docs and fellows; and non-paid associate appointments.

III. Definitions

A. Taxable Payments

Taxable payments are any payments made to an employee which must be both reported to the Internal Revenue Service and withheld upon for federal, state, and other taxes. Such taxable payments include, but are not limited to, wages and non-qualified moving expenses.

B. Tax-Reportable Payments

Tax-reportable payments are any payments made to an employee which must be reported to the IRS but need not be withheld upon for federal, state, and other taxes. The most common tax-reportable payment is qualified moving expenses.

C. Non-Taxable Payments

Non-taxable payments are any payments made to an employee which meet the requirements of the University's Accountable Plan rules. These payments are neither reported to the IRS nor withheld upon for federal, state, and other taxes. These are normally business expense reimbursements.

D. Qualified Moving Expenses

Qualified moving expenses are tax-reportable payments made to employees for certain types of moving and relocation expenses. These payments may also be made to a third party – such as a moving vendor – on behalf of an employee. The term qualified comes from the IRS regulations regarding what types of expenses are qualified as deductions on an individual's tax return (see IRS Publication 521 - <http://www.irs.gov/publications/p521/index.html>). Such expenses include:

- Costs of moving household goods and personal effects (including in-transit storage or foreign-move storage, and
- Costs of travel (including lodging but not meals) to a new home.

E. Non-Qualified Moving Expenses

Non-qualified moving expenses are taxable payments made to employees for certain types of moving and relocation expenses. These payments may also be made to a third party – such as a moving vendor – on behalf of an employee. The term non-qualified comes from the IRS regulations regarding what types of expenses are not qualified as deductions on an individual's tax return (see IRS Publication 521 - <http://www.irs.gov/publications/p521/index.html>). Such expenses include:

- Expenses associated with buying and selling of a home (including closing costs, mortgage fees, and points)
- Expenses associated with entering into or breaking a lease
- Loss on the sale of a home
- Real estate taxes
- Pre-move house hunting expenses
- Return trips to a former residence
- Meal expenses while traveling to a new home

- Storage charges except for those incurred while in-transit or for foreign moves (from the U.S. to a foreign location)
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IV. Procedures

A. Payments to Future Employees

The following procedures should be followed when making a taxable or tax-reportable payment to a future employee.

1. Verify that the future employee is eligible to receive the payment. The new employee should receive an offer letter which includes information about moving and relocation. Departments may need to contact the Office of Academic Affairs (for faculty) or FAS Human Resources (for staff) to verify that the new employee is eligible to receive the payment.
2. Setup the new employee as a reimbursee in the Accounts Payable Vendor file. You will need to collect the required information on the Vendor Setup Form (available on [ABLE](#)). Non-U.S. citizens or resident aliens will need to also complete the Foreign National Information Form (FNIF – also available on [ABLE](#)).
3. Process the payment through the Web Voucher Reimbursement application as if it were a non-taxable reimbursement.
4. Attach originals of all relevant receipts and documents to the Web Voucher Reimbursement report and/or Universal Expense Form. Return copies of receipts to the future employee.
5. Forward the above documents to Michael Jackson in the FAS Office of Finance.
6. The FAS Office of Finance will create Informational Additional Pay forms for the payments and forward these forms and the voucher to the appropriate Central Administration offices.

B. Payments on behalf of Future Employees

The following procedures should be used when making a taxable or tax-reportable payment to a third party – such as a moving vendor – on behalf of a future employee.

1. Verify that the future employee is eligible to receive the payment. The new employee should receive an offer letter which includes information about moving and relocation. Departments may need to contact the Office of Academic Affairs (for faculty) or FAS Human Resources (for staff) to verify that the new employee is eligible to receive the payment.
 2. Make sure that the third party is in the A/P Vendor File. Setup the third party, if necessary.
 3. Process the payment through the Web Voucher application as if it were a vendor invoice payment.
 4. Attach originals of all relevant invoices and documents to the Web Voucher report printout. Return copies of documents to the future employee.
 5. Forward the above documents to Michael Jackson in the FAS Office of Finance.
 6. The FAS Office of Finance will create Informational Additional Pay forms for the payments and forward these forms and the voucher to the appropriate Central Administration offices.
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V. Contacts

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