

Board of Contract Appeals
General Services Administration
Washington, D.C. 20405

January 11, 2005

GSBCA 16506-RELO

In the Matter of PAULA M. STEAD

Paula M. Stead, Fort Belvoir, VA, Claimant.

Judy Fincher, Supervisor, Travel Section, Defense Finance and Accounting Service, Indianapolis Center, Texarkana, TX, appearing for Defense Logistics Agency.

PARKER, Board Judge.

Paula M. Stead believes that her employer, the Department of Defense (DoD), miscalculated the amount of the relocation income tax allowance (RITA) she was due in connection with her March 2004 transfer from Wuerzburg, Germany, to Ft. Belvoir, Virginia. According to Ms. Stead, although the \$4377 in taxable moving expenses paid by the Government resulted in her incurring about \$1488 in additional taxes, she was reimbursed only \$174.86. As discussed below, DoD correctly calculated the allowance.

Statute and regulation require agencies to pay various relocation benefits and allowances to employees who are transferred in the interest of the Government from one permanent duty station to another. See 5 U.S.C. ch. 57, subch. II (2000); 41 CFR ch. 302 (2003). These payments are, for the most part, considered taxable income to the recipients. We have previously discussed in some detail the provisions of law, 5 U.S.C. § 5724b and 41 CFR pt. 302-17, which require agencies to pay these employees additional money to effectively compensate them for the taxes they incur consequent to their receipt of these benefits and allowances. Robert J. Dusek, GSBCA 14325-RELO, 98-1 BCA ¶ 29,440 (1997).

The regulation establishes a two-step process for accomplishing this goal. In the year in which the agency pays the employee relocation benefits and allowances, it also pays a withholding tax allowance (WTA), which is intended to cover the increase in the employee's federal income tax withholding liability that results from receipt of the benefits and allowances. 41 CFR 302-17.5(e), (n), -17.7(a). The WTA is calculated at a flat rate based on a marginal tax rate of 28%, regardless of the employee's tax bracket. Id. 302-17.7(c). In

the following year, the agency calculates a relocation income tax allowance, which makes further adjustments in payment, to reimburse the employee for any added tax liability that was not reimbursed by payment of the WTA, or to cause the employee to repay any excessive amount of WTA, based on the employee's actual tax situation for the year in which the relocation benefits and allowances were received. Id. 302-17.5(f)(2), (m), -17.8.

It is true, as Ms. Stead states, that she received a RITA payment of only \$174.86. The record shows, however, that Ms. Stead also received a WTA payment in the amount of \$1159.98 on her voucher of March 31, 2003. As it turns out, the total amount received, \$1334.84, is very close to the amount Ms. Stead believes she should have received. Because there is no evidence that the agency miscalculated either the WTA or the RITA, the claim is denied.

ROBERT W. PARKER
Board Judge