

WITHHOLDING TAX ALLOWANCE (WTA) (FTR, Part 302-17)

WTA is an allowance that is offered to you, and if you elect WTA entitlement it is computed and paid on each claim that has taxable entitlements (and is itself a taxable entitlement). It is treated as an advance against the RIT allowance (explained on the following page), and is subtracted from any RIT allowance computed in the following year. If WTA is elected (and WTA entitlement is issued), it becomes mandatory to file a RIT allowance within 120 days of the following calendar year. Failure to file a RIT allowance claim after a WTA is paid results in collection of the WTA. If you decline to have WTA paid on each claim, the entire tax allowance will be paid in one lump sum on the RIT allowance voucher.

WTA is paid at a rate of 33.33 percent. When deciding whether or not to elect to receive WTA, you should consider the following: a) If you anticipate your federal tax withholding rate to be 25 percent or greater, you will want to elect to receive WTA. b) If you expect your federal tax-withholding rate to be less than 25 percent, you may want to decline the WTA to avoid possible overpayment of WTA. When a RIT allowance voucher is filed the following calendar year, the entire amount of any excess WTA will be required to be repaid.

Following are examples of claims paid without and with the WTA at 33.33 percent.

Entitlement computed without WTA:

\$1000.00 Miscellaneous expense entitlement
Minus \$250 FWT (25%)
Minus \$ 14.50 Medicare (1.45%)
Minus \$ 62.00 FICA (6.20%)
\$673.50 Amount due traveler

Entitlement computed with WTA:

\$1000.00 Miscellaneous expense entitlement
Plus \$333.30 WTA (33.33%)
\$1333.30
Minus \$333.30 FWT (25%)
Minus \$ 19.33 Medicare (1.45%)
Minus \$ 82.66 FICA (6.20%)
\$898.01 Amount due traveler

In the second example, the amount of WTA issued is shown as \$333.30. You should set aside this amount until taxes are due to the IRS the following year. 37

RELOCATION INCOME TAX (RIT) ALLOWANCE (JTR, par. C16000 and FTR, Part 302-17)

The RIT allowance is authorized to reimburse you for substantially all of the additional Federal, State, and Local income taxes incurred as a result of the additional PCS travel entitlements. You are eligible for this allowance if you were transferred on or after November 14, 1983, in the interest of the government from one official station to another for permanent duty. Employees that are not eligible for this allowance include:

1. New appointees
2. Employees assigned under the Government Employees Training Act
3. Employees returning from overseas assignments for purpose of separation

When you are reimbursed for taxable entitlements, the following calendar year you are eligible to file a RIT allowance claim. When WTA is accepted and issued, filing for the RIT allowance is mandatory. If you do not elect WTA, the RIT allowance is the only means of recouping the additional taxes incurred resulting from the increased income. The RIT allowance is not automatic; you must apply to receive it.

NOTE: When a RIT allowance is the only allowance paid in a calendar year, you are not entitled to file a RIT allowance the following year.