

# **Auburn University Employee Transition Allowance Policy**

## **I. POLICY STATEMENT**

At the discretion of the Department Head, Dean, or appropriate Vice President, Auburn University may pay an incoming employee an equitable transition allowance to cover their personal moving, relocation, and employment transition costs. If a transition allowance is paid, the allowance will be taxable to the employee and paid via Payroll. The allowance must be: 1) authorized in advance, 2) documented in writing to the employee and for AU files, and 3) directly related to the commencement of employment at AU.

## **II. POLICY PRINCIPLES**

### **A. Scope**

Effective January 1, 2018, reimbursement of actual qualified moving expenses incurred is required to be included in the gross income of the employee receiving these payments. To maintain the value to employees that existed prior to the law change and reduce administrative burden, an Employee Transition Allowance will be available as a taxable benefit to approved incoming employees. Consequently, Auburn University shall neither reimburse an employee, nor pay vendors directly for these expenses. This includes moving expenses, temporary storage or housing, travel, meals or personal family relocation expenses. All relocation and related payments must be paid as a transition allowance directly to the employee. The transition allowance is the total amount authorized to be paid for the employee's transition costs.

### **B. Employment Negotiations and Pre-Approval**

The transition allowance, if any, is determined for each prospective employee on a case-by-case basis. While there is no standard AU transition allowance, employment negotiations should result in an equitable amount necessary to recruit the employee to AU giving due consideration to AU budgetary and funding constraints. All agreements that include the payment of a transition allowance must be in writing.

Allowances in excess of 10% of an employee's regular starting salary require approval by the Provost, Vice President for Business & Finance, Vice President for Student Affairs, or Executive Vice President. The hiring department is responsible for securing, in advance, the funding source(s) to support the authorized payment and the related applicable AU fringe benefit charge thereon.

### **C. Timing of Payment**

The transition allowance will generally be paid within the first month after the employee has begun employment.

### **D. Processing through Payroll**

The transition allowance is paid through the Payroll system as taxable additional pay, following normal Payroll procedures.

## E. Required Communication with Employee

The hiring department is responsible for communicating information regarding payment and taxability of the allowance to the employee. To accomplish this, the following paragraph should be included in the employment agreement or offer letter.

### DISCLOSURE

A comprehensive transition allowance in the amount of \$ \_\_\_\_\_ will be paid in lieu of moving, relocation and employment transition cost reimbursement and/or payment. The allowance will be paid to you during your first month of employment. It will be processed as additional taxable compensation through the Payroll system with all applicable taxes and FICA amounts deducted.

## III. EFFECTIVE DATE

This policy is effective for all negotiations with prospective employees initiated or settled after December 31, 2017.

## IV. APPLICABILITY

University wide. An Employee Transition Allowance may be provided to incoming employees, if approved by the applicable Department Head, Dean, or appropriate Vice President.

## V. POLICY MANAGEMENT

**Responsible Office:** Human Resources

**Responsible Executive:** Associate Vice President, Human Resources

**Responsible Officer:** Associate Vice President, Human Resources

## VI. DEFINITIONS

Employee: For purposes of this policy, an employee is anyone who receives a Form W-2 from the University.

Transition Allowance: Payment made as a taxable benefit to an incoming faculty or administrator to cover their personal moving, relocation and employment transition costs. This payment includes moving company expenses, temporary storage or housing, travel, meals, or other personal or family relocation expenses.

## VII. POLICY PROCEDURES

Human Resources will process the required EPAF related to the Employee Transition Allowance provided that the Allowance amount is included in the new employee offer letter, with appropriate signed approvals and accompanying the new hire documentation and paperwork.

However, if the Transition Allowance amount is NOT included in the employee offer letter with the new hire paperwork or the Allowance is greater than 10% of the employee's regular starting salary, an EPAF is required to be completed by a department. Detailed instructions for creating the EPAF can be found at: [https://aub.ie/employee\\_transition](https://aub.ie/employee_transition).

## VIII. SANCTIONS

Violations of the policy will be addressed through appropriate disciplinary action.

**IX. EXCLUSIONS**

There are no exclusions to this policy.

**X. INTERPRETATION**

Associate Vice President, Human Resources

**XI. HISTORY**

4/9/2018: This policy replaces Auburn University Travel Policy Section 4.2 Relocation Expenses.

The Tax Cuts and Jobs Act (TCJA) changed tax law related to the moving expense deduction. Section 11048 of the TCJA modifies Section 132(g) of the Internal Revenue Code to suspend the exclusion for reimbursed moving expenses. As such, moving expenses are now taxable to employees when reimbursed or paid on their behalf by Auburn University.

In an effort to maintain the value to employees that existed prior to the law change and reduce administrative burden, an Employee Transition Allowance is proposed. All relocation and related payments are included in the transition allowance and paid directly to the employee via Payroll as a taxable benefit.