RELOCATION INCOME TAX ALLOWANCE (RITA) WORKSHEET

Adjustment of RITA Payment for States That Do Not Allow Deduction of Moving Expenses for State Income Tax Purposes

NAME OF CLAIMANT *(Last, First, Middle Initial)*	MOVING EXPENSE AUTHORIZATION NUMBER	YEAR 1 = 19 _____

THE FINAL RELOCATION INCOME TAX ALLOWANCE (YEAR 2) CAN BE ADJUSTED BY ADDING THE RESULT OF THE FOLLOWING:

$$\textit{Adjustment Factor} = \frac{S(1-F)}{(1-W)}(N)$$

Where:

- S = *State Tax Rate (Year 1, the year of moving expense reimbursement).*
- F = *Federal Tax Rate (Year 1).*
- W = *Combined Marginal Tax Rate (Year 2, the year when the RITA adjustment is made).*
- N = *Reimbursed moving expenses (Year 1) that were deductible for federal income tax purposes but not for state income tax purposes.*

PART A – RITA ADJUSTMENT CALCULATION

Step 1. Multiply:

State Tax Rate (Year 1) S = _____

by 1 minus Federal Tax Rate (Year 1) 1 – F = _____

A = Result of Step 1 **A** = _____

Step 2. Divide:

Result of Step 1 A = _____

by 1 minus Combined Marginal Tax Rate (Year 2) 1 – W = _____

B = Result of Step 2 **B** = _____

Step 3. Multiply:

Result of Step 2 B = _____

by reimbursed moving expenses in Year 1 that were deductible for federal tax but not state tax purposes N = _____

C = Adjustment Factor **C** = _____

PART B – ADJUSTED RITA PAYMENT

Add the ADJUSTMENT FACTOR (C) to the FINAL RELOCATION INCOME TAX ALLOWANCE for Year 2 (final RITA before tax and FICA deductions) as calculated using the current RITA formula. The result is the RITA payment adjusted for states that do not allow moving expense deductions. From this adjusted amount, federal tax withholding, state tax withholding, and FICA must be deducted for Year 2.

However, if this claim is a retroactive claim for the RITA adjustment only, then federal, state, and FICA tax withholdings are computed on the Adjustment Factor only.

Adjustment Factor (C) C = _____

+ Final RITA (Year 2) + _____ (enter zero if RITA was previously paid)

Adjusted RITA **D** = _____

Subtract from Adjusted RITA:

20% Federal Withholding Tax (Year 2) _____

FICA Tax on Year 2 Adjusted RITA _____

State Withholding Tax (Year 2) _____

Total of Subtractions **E** = _____

Net RITA Payment to Claimant **(D minus E)** = _____

(Assuming no local tax withholding)

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