

Changes in Employer Reporting of Moving Expense Reimbursements—Elimination of Form 4782 and Changes to Form W-2 Reporting

Announcement 97-77

Purpose

This announces that the Internal Revenue Service will eliminate Form 4782, Employee Moving Expense Information, effective for tax year 1998. Also included are changes to the reporting of moving expense reimbursements by employers to employees on Form W-2. These changes are effective for 1998 Forms W-2 that employees will receive in 1999.

Background

Form 4782 is used by employers to report moving expense reimbursements made to employees. P.L. 103-66 modified IRC Section 132 to exclude from an employee's gross income employer reimbursements for qualified moving expenses. After that change in law, some

employers still found Form 4782 to be helpful to employees in understanding the amounts that appear on their Forms W-2. However, many employers also told us that Form 4782 was no longer needed, was burdensome to file, and that it should be eliminated.

As a result of input received from the employer community, the Service has decided to eliminate Form 4782. However, employers may continue providing similar information to employees in any format they wish if they deem it helpful to employees.

Form W-2 Reporting

With the elimination of Form 4782, the IRS is further simplifying the reporting of qualified moving expenses on Form W-2. The IRS instructions for employers preparing Forms W-2 for tax year 1998 will reflect that:

- Qualified moving expenses an employer pays **to a third party on behalf of the employee** (e.g., to a moving company) and services that an employer furnishes in kind to an employee will not be reported at all on Form W-2.

- Qualified moving expenses reimbursements an employer pays **directly to an employee** will be reported in Box 13 of Form W-2 and will be identified using Code P. (Currently, *all* qualified moving expense reimbursements are identified with Code P, regardless of whether or not they were paid directly to the employee.)

- Other moving expense reimbursements (so-called nonqualified expenses), whether or not paid directly to a third party, will continue to be included in wages (Form W-2, box 1) and are subject to income tax withholding and social security and Medicare taxes.

Employee Reporting on Form 3903

As a result of the simplification of employer reporting, the deduction for qualified moving expenses by employees will also be simplified. Beginning with 1998 returns filed in 1999, employees will report on **Form 3903**, Moving Expenses, only the qualified moving expenses paid directly by them. On Form 3903, employees will reduce these expenses by the amounts reimbursed by their employers and reported in box 13 of Form W-2.