

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

October 11, 2002

GSBCA 15865-RELO

In the Matter of SOAMS L. SHIFFLETT

Soams L. Shifflett, Orange Park, FL, Claimant.

G.J. Murphy, Disbursing Officer, Personnel Support Activity, Department of the Navy, Jacksonville Naval Air Station, FL, appearing for Department of the Navy.

BORWICK, Board Judge.

Claimant, Soams L. Shifflett, contests the Department of the Navy's use of twenty-eight percent in calculating the year two relocation income tax allowance (RITA) that was due incident to his relocation. We deny the claim as the agency correctly applied the governing provisions of the Joint Travel Regulations (JTR).

In May 1998, the agency transferred claimant in the interest of the Government from the Navy Calibration Laboratory, Rota, Spain, to the Naval Aviation Depot, Jacksonville, Florida. The agency reimbursed claimant for his relocation expenses, including the withholding tax allowance (WTA) of \$2399.46 for year one and the relocation income tax allowance (RITA) of \$1407.09 for year two. The agency used the federal marginal tax rate of twenty-eight percent in calculating the WTA and the tax rate of fifteen percent in calculating the RITA.

Claimant states:

I was paid a RIT claim in the amount of \$1407.09 for overpayment of taxes withheld from my PCS [permanent change of station] claim. I received the refund because [the agency] withheld federal taxes at the [twenty-eight percent] rate rather than the [fifteen percent] rate that was actually due. When they issued the RIT check [the agency] again took out taxes based on a [twenty-eight percent] withholding rate rather than the [fifteen percent] rate that is due. I filed this appeal for overpayment of taxes on the RIT claim.

Claimant does not challenge the agency's reimbursement of \$1407.09 as the RITA payment, but only the amount of federal income tax withheld (\$393.99) from the RITA

reimbursement. Claimant maintains that the amount withheld should have been \$211.06 (fifteen percent of \$1407.99) and that claimant was owed an additional \$182.93.

The RITA is designed to provide a transferred employee substantially enough money, in addition to relocation benefits, to pay all income taxes due on the benefits and the allowance itself. 5 U.S.C. § 5724b(a) (Supp. IV 1998); 41 CFR 302-11.1 (1998); JTR C16001. The RITA consists of two parts, a WTA, generally payable in the year in which the employee moves (year one), and a RITA, generally payable in the following year (year two). Both the WTA and the RITA are calculated in strict conformance to formulas prescribed by regulation. The WTA roughly covers the employee's federal income tax withholding liability on covered taxable reimbursements in year one. JTR 16002-D.11. The RITA is calculated in year two and paid to cover substantially all of the estimated additional federal, state, and local income tax liability incurred as a result of the covered moving expense reimbursements received in year one. JTR C16002-C; see Patricia Russell, GSBCA 14758-REL0, 99-1 BCA ¶ 30,291.

In calculating the year two RITA, the JTR provide:

Since the amount of the RIT allowance is income to an employee in year [two], it is subject to the same tax withholding requirements as all other moving expense reimbursements. DoD components must determine the appropriate amounts for withholding taxes under their internal tax withholding procedures. The amount of withholding taxes is deducted from the RIT allowance to arrive at the net payment to an employee.

JTR 16008-G. In this matter, the agency relied upon an agency directive, which prescribed a twenty-eight percent withholding tax rate, that went into effect in January 1994 and was effective until August 5, 2001.

The agency correctly applied the provisions of the JTR. The Board denies the claim.

ANTHONY S. BORWICK
Board Judge