

Board of Contract Appeals

General Services Administration
Washington, D.C. 20405

December 1, 2003

GSBCA 16261-RELO

In the Matter of KATRINA L. SEDNEY

Katrina L. Sedney, Underhill, VT, Claimant.

Cynthia R. Blevins, Deputy Director, Finance Center, United States Army Corps of Engineers, Millington, TN, appearing for Department of the Army.

GOODMAN, Board Judge.

Claimant, Katrina L. Sedney, is a civilian employee of the Army Corps of Engineers. She asks this Board to review the agency's calculation of reimbursement of her relocation income tax allowance (RITA) arising from her permanent change of station.

Discussion

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. The RITA consists of two parts, a withholding tax allowance (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. 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 relocation expense reimbursements received in year one. Florence H. Dosh, GSBCA 15894-RELO, 02-2 BCA ¶ 32,030, reconsideration denied, 03-1 BCA ¶ 32,094; Patricia Russell, GSBCA 14758-RELO, 99-1 BCA ¶ 30,291.

Claimant asserts that she was underpaid by approximately \$1300 because of the structure of the reimbursement formula. She states that she is "not disputing that the RITA was calculated correctly according to the JTR [the Department of Defense's Joint Travel Regulations] but because of the way it is calculated I am not reimbursed for substantially all of the additional . . . taxes incurred by me." While claimant admits that her RITA calculation was not contrary to the regulations, she objects to the fact that her spouse's social security

income and disability income are not included in "earned income" for purposes of calculating RITA reimbursement, resulting in a lesser reimbursement than she would receive if these amounts were included.

We have noted previously that RITA payments are determined based upon various assumptions, which the regulations recognize may not fully reflect the circumstances of a claimant. See, e.g., Charlotte Wiley, GSBCA 14455-RELO, 98-1 BCA ¶ 29,737. In W. Don Wynegar, GSBCA 15602-RELO, 01-2 BCA ¶ 31,563, we addressed the specific issue raised by claimant:

A common complaint is that the procedures do not permit the inclusion of unearned income when calculating the basis from which the RIT allowance is derived. As a result, for employees who have taxable income which boosts them into higher tax brackets than the ones they are presumed to be in for purposes of determining their RIT allowance, the allowance does not cover all of the increased tax liability imposed by the receipt of relocation benefits. . . . Because of the way in which "earned income" is defined in the regulation, income which could arguably be deemed "earned" (since it is based on past earnings), such as a spouse's disability pension or social security benefits, is not counted for purposes of calculating the RIT allowance. Thus, an employee whose family has this kind of income is disadvantaged as well.

01-2 BCA at 155,864.

The agency did not commit error. Claimant acknowledges that her RITA reimbursement was calculated according to regulation. The regulations simply do not include social security payments and disability payments as earned income.

Decision

The claim is denied.

ALLAN H. GOODMAN
Board Judge