

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

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June 29, 2005

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GSBCA 16628-RELO

In the Matter of RANDALL O. PEAUGH

Randall O. Peaugh, Calendonía, MS, Claimant.

Shirley Lee Autry, Deputy Director, Finance Center, United States Army Corps of Engineers, Millington, TN, appearing for Department of the Army.

**PARKER**, Board Judge.

Randall O. Peaugh, an employee of the United States Army Corps of Engineers who was transferred in 2002 from Spottsville, Kentucky, to Columbus, Mississippi, has asked the Board to review the agency's determination that he owes \$329.98 in connection with a relocation income tax allowance. Mr. Peaugh has provided us with no specific grounds for challenging the assessment, but states that he does not understand the basis for the charge.

Discussion

Statute and regulation require agencies to pay various relocation benefits and allowances to employees who are transferred in the interest of the Government from one permanent duty station to another. *See* 5 U.S.C. ch. 57, subch. II (2000); 41 CFR ch. 302 (2002). These payments are, for the most part, considered taxable income to the recipients. We have previously discussed in some detail the provisions of law, 5 U.S.C. § 5724b and 41 CFR pt. 302-17, which require agencies to pay these employees additional money to effectively compensate them for the taxes they incur consequent to their receipt of these benefits and allowances. *Robert J. Dusek*, GSBCA 14325-RELO, 98-1 BCA ¶ 29,440 (1997).

The regulation establishes a two-step process for accomplishing this goal. In the year in which the agency pays the employee relocation benefits and allowances (year 1), it also pays a withholding tax allowance (WTA), which is intended to cover the increase in the employee's federal income tax withholding liability that results from receipt of the benefits and allowances. 41 CFR 302-17.5(e), (n), -17.7(a). The WTA is calculated at a flat rate based on a marginal tax rate of 28%, regardless of the employee's tax bracket. *Id.* 302-17.7(c). In the following year (year 2), the agency calculates a relocation income tax allowance, which makes further adjustments in payment, to reimburse the employee for any added tax liability that was not reimbursed by payment of the WTA, or to cause the employee to repay any excessive amount of WTA, based on the employee's actual tax situation for the year in which the relocation benefits and allowances were received. *Id.* 302-17.5(f)(2), (m), -17.8; *Paula M. Stead*, GSBCA 16506-RELO, 05-1 BCA ¶ 32,874.

The record shows that Mr. Peaugh received a WTA payment in the amount of \$928.29 in 2003 (year 1). In 2004 (year 2), the agency used tax information provided by Mr. Peaugh to calculate a relocation income tax allowance based upon Mr. Peaugh's actual tax situation. That calculation showed that the actual amount due Mr. Peaugh was \$329.98 less than the amount he received in the WTA. The agency then billed Mr. Peaugh for the overpayment. Because Mr. Peaugh has not provided, nor have we found, any evidence that the relocation income tax allowance was calculated incorrectly, the claim is denied.

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ROBERT W. PARKER  
Board Judge