



UNITED STATES  
CIVILIAN BOARD OF CONTRACT APPEALS

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January 25, 2021

CBCA 6931-RELO

In the Matter of JOSHUA H.

Joshua H., Claimant.

Tracey Z. Taylor, Office of Counsel, Humphreys Engineer Support Activity, United States, Army Corps of Engineers, Alexandria, VA, appearing for Department of the Army.

**VERGILIO**, Board Judge.

The claimant relocated within the continental United States. The agency paid a third party for the shipment and storage-in-transit of the claimant's household goods (HHG). The payment constitutes a taxable event for the claimant; the agency determined withholdings. The claimant is liable for FICA and Medicare taxes, as assessed. However, the agency improperly calculated the withholding for federal income tax because at the time of the withholding the claimant had claimed an exemption.

Joshua W. Hughes, claimant, a civilian employee of the Department of the Army, U.S. Army Corps of Engineers (agency), disputes the determination by the agency that it is entitled to collect taxes connected to relocation expenses. The Board's authority to resolve the dispute derives from 31 U.S.C. § 3702(a)(3) (2018) and 41 CFR 302-17.24 (2020). Because outside of the proper scope of this case, the Board does not address or resolve non-material matters raised by the claimant or the agency. The Board's focus is on the agency's calculation of income tax and other withholdings; the Board does not address the propriety (or not) of the debt collection. There is no showing that the claimant's union membership, if it existed, would preclude the Board from resolving this case.

The claimant changed permanent duty stations within the continental United States, with a July 2019 report date. The agency paid \$2274.59 to a third party for the transportation and storage-in-transit of the claimant's HHG. This payment was a taxable event for the

claimant. *Joshua P. Clauser*, CBCA 6656-RELO, 20-1 BCA ¶ 37,599; *Michael A. Metje*, CBCA 6699-RELO, 20-1 BCA ¶ 37,598. In 2019, the agency determined that the claimant owed the Government \$674.41 in connection with the payment. It calculated this liability as the sum of \$141.02, for FICA; \$32.98, for Medicare; and \$500.41, for federal income tax withholding (FITW). The agency determined the income tax withholding amount as the product of 22% and the \$2274.59 paid. The FICA and Medicare amounts are no longer disputed by the claimant. These two calculations are proper; the claimant's liability is supported by the analysis in the two cases referenced above.

The claimant contends that the agency failed to compute the income tax withholding amount in accordance with Internal Revenue Service (IRS) guidelines found in its publication 15 (Employer's Tax Guide), paragraph 7, for 2019. The claimant had claimed an exemption from the withholding of federal income taxes for the given and prior year, during which the agency did not withhold income tax from the claimant's regular wages. Under paragraphs 7 (Supplemental Wages) and 9 (Withholding From Employees' Wages), and, in particular, as dictated in subparagraph 2 of paragraph 7, this situation requires the application of subparagraph 1.b, not 1.a (1.a invokes a 22% flat-rate calculation). The applicable language in subparagraph 1.b states: "Figure the income tax withholding as if the total of the regular wages and supplemental wages is a single payment. Subtract the tax already withheld or to be withheld from the regular wages. Withhold the remaining tax from the supplemental wages." Because the agency was withholding no income taxes from the claimant's wages, it should have made its calculations to withhold no income taxes for this supplemental amount. The record demonstrates that the agency's calculation was not in accordance with the guidelines; there is no viable basis to conclude that the agency could withhold income taxes from the claimant for this item.

The agency properly calculated the claimant's obligation to pay \$174 (the sum of the FICA and Medicare amounts). The agency improperly calculated the income tax withholding, although the \$2274.59 represents taxable income to the claimant.

Joseph A. Vergilio  
JOSEPH A. VERGILIO  
Board Judge