



UNITED STATES  
CIVILIAN BOARD OF CONTRACT APPEALS

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February 9, 2024

CBCA 7820-RELO

In the Matter of MICHAEL H.

Michael H., Claimant.

Teresa M. Stokes, Branch Chief, Travel Pay Processing Office, Air Force Installation and Mission Support Center, Department of the Air Force, Ellsworth Air Force Base, SD, appearing for Department of the Air Force.

**ZISCHKAU**, Board Judge.

The claimant asserts that the Department of the Air Force (Department) miscalculated his withholding tax allowance (WTA) and relocation income tax allowance (RITA) for his permanent change of station (PCS) from the United Kingdom to Albuquerque, New Mexico. The claimant seeks an additional \$3815.11 in WTA and \$6242.63 in RITA. We conclude that the agency correctly calculated the claimant's WTA and RITA, and thus, the claimant is not entitled to any additional reimbursement.

Background

In December 2021, the claimant was relocated from Royal Air Force (RAF) Lakenheath in the United Kingdom to Kirtland Air Force Base in Albuquerque, New Mexico. The claimant's total taxable PCS reimbursement was \$61,483.22, consisting of the claimant's total reimbursable expenses of \$47,956.91 plus the WTA calculated by the Department in the amount of \$13,526.31. WTA is the amount the Department paid to the Internal Revenue Service (IRS) as withholding of income taxes on the reimbursable expenses of \$47,956.91. Thus, the Department reimbursed the employee for the relocation expenses and for the approximate taxes the employee would have to pay on the relocation expenses reimbursed to the employee by the Department. 41 CFR 302-17.1 (2022) (FTR 302-17.1).

In 2023, the claimant filed for additional reimbursement for RITA, the difference between the WTA and his actual income tax liability. FTR 302-17.1. The Department calculated the RITA amount payable to the claimant as \$3626.16.<sup>1</sup>

### Discussion

The claimant argues that the Department did not follow the requirements of the Federal Travel Regulation (FTR) and thus failed to pay the correct WTA and RITA amounts. The FTR provides the formulas used to calculate the claimant's WTA and RITA. For WTA, the claimant asserts the correct payment amount should have been \$17,341.42, not \$13,526.31. The formula for calculating the claimant's WTA is:

$$\text{WTA} = R/(1-R) \times \text{Expense}$$

“R” equals the withholding rate for supplemental wages, and “Expense” equals the applicant's covered reimbursable expenses. FTR 302-17.24. The claimant does not contest the formula or the withholding rate of 0.22. The claimant's reimbursable expense amount used by the agency is \$47,956.91. Inputting the numbers from this particular case, the Department calculated the claimant's WTA as:

$$\begin{aligned}\text{WTA} &= 0.22 / (1 - 0.22) \times \$47,956.91; \\ \text{WTA} &= 0.22 / (0.78) \times \$47,956.91; \\ \text{WTA} &= 0.28205128 \times \$47,956.91; \\ \text{WTA} &= \$13,526.31\end{aligned}$$

The claimant alleges that the agency calculated the WTA by applying the withholding rate of 0.22 to the reimbursable expense instead of the ratio (R/(1-R)) of 0.28205. However, claimant's assertion is not supported by the documents provided by the agency. Instead, the claimant's assertion that the correct WTA is \$17,341.42 appears to arise from confusion over the correct expense value. In reaching \$17,341.42 as the WTA value, the claimant relied on the \$61,483.22 total taxable amount of PCS payments as the applicable expense ( $\$17,341.42 = 0.28205128 \times \$61,483.22$ ). This calculation is incorrect because the total taxable amount of PCS payments improperly includes the calculated WTA amount ( $\$61,483.22 = \$47,956.91 + \$13,526.31$ ).

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<sup>1</sup> The claimant asserts in his notice of claim that the Department calculated the RITA amount as \$3519.30; however, agency documents show \$3626.16.

For the RITA, the claimant asserts the correct payment amount should be \$6242.63, not \$3626.16. The formula for calculating RITA is:

$$\text{RITA} = (C/(1-C) \times R) - Z$$

“C” equals the combined marginal tax rate (CMTR); “R” equals the reimbursements, allowances, and direct payments to vendors covered by WTA during year 1; and “Z” equals the total grossed-up WTA paid during year 1. FTR 302-17.67. The claimant does not contest the formula or that the CMTR equals 0.27724. In calculating the claimant’s RITA, the Department used \$48,700.46 as the reimbursement value.<sup>2</sup> Inputting these numbers into the equation, the Department calculated the claimant’s RITA as:

$$\begin{aligned} \text{RITA} &= ((0.27724 / 1 - 0.27724) \times \$48,700.46) - \$13,526.31; \\ \text{RITA} &= ((0.27724 / 0.72276) \times \$48,700.46) - \$13,526.31; \\ \text{RITA} &= (0.38358515 \times \$48,700.46) - \$13,526.31; \\ \text{RITA} &= \$18,680.77 - \$13,526.31; \\ \text{RITA} &= \$5154.46 \end{aligned}$$

RITA is taxable at a rate of 29.65%. The Department calculated the RITA payable to the claimant by deducting the tax withholding from the total RITA.

$$\begin{aligned} \text{RITA Payable} &= \$5154.46 - (0.2965 \times \$5154.46) \\ \text{RITA Payable} &= \$5154.46 - \$1528.30 \\ \text{RITA Payable} &= \$3626.16 \end{aligned}$$

The claimant asserts the Department calculated the RITA by applying the CMTR of 0.27724 to the reimbursable expense instead of the ratio (C/(1-C)) of 0.38359. However, the claimant’s assertion is not supported by the documents provided by the agency. The claimant’s assertion that the correct RITA is \$6242.63 again appears to arise from confusion over the correct expense value. In calculating the RITA amount that he asserts he is owed, the claimant relied on the \$61,483.22 total taxable amount of PCS payments, which incorrectly includes the WTA amount in the total.

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<sup>2</sup> In its response to the claimant, the Department states that it used the wrong reimbursement value when it calculated the claimant’s RITA, inputting \$48,700.46 instead of the correct reimbursement amount of \$47,956.91. For the sake of following the Department’s calculations, we will use the \$48,700.46 value. The Board leaves it to the Department to correct its calculation error outside of these proceedings.

Decision

The claimant is not entitled to additional WTA or RITA. The claim is denied.

*Jonathan D. Zischkau*  
JONATHAN D. ZISCHKAU  
Board Judge