**Department of Energy**
Washington, DC 20585

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MEMORANDUM FOR FIELD CHIEF FINANCIAL OFFICERS AND DIRECTOR, CAPITAL ACCOUNTING CENTER

FROM: ELIZABETH E. SMEDLEY Elizabeth E. Smedley
CONTROLLER

SUBJECT: AMENDMENT TO FEDERAL TRAVEL REGULATIONS

The Employee Travel Reform Act of 1996 included legislative changes recommended by the Joint Financial Management Improvement Program to improve the delivery of relocation services and reduce the cost of permanent change of station (PCS) moves. Some of those changes were implemented by memorandum on August 8, 1997. The Home Marketing Incentive Payment program (FTR Amendment 61) was not implemented at that time pending modifications to the relocation services contract. After reviewing the contract, it has been determined that the Incentive Payment program can be implemented without any contract modifications; therefore, the provisions of the amendment are implemented as follows:

- A home marketing incentive of three percent of the selling price, not to exceed $9,000, will be paid to a transferring employee who uses the Department's relocation services contract, markets the property, and finds a qualified buyer for his or her residence.

- The incentive payment will not be made until the Department has received the invoice from the relocation contractor indicating the home purchase fee is for an amended value transaction. The incentive payment will be made without the transferee being required to submit additional documentation.

- The incentive payment will be paid directly to the transferee and will be reported as taxable income in the year paid. The transferee will not receive a withholding tax allowance or a relocation income tax allowance payment for the Federal, state, or local income taxes on the incentive payment.

- Any amended value transaction occurring on or after the date of this memorandum qualifies for the incentive payment.

The Home Marketing Incentive Payment program will be evaluated annually to determine its effectiveness in increasing the number of homes sold as amended value transactions. The target is to increase the ratio of amended value transactions from the current 33% to 50% of the total home purchase transactions, thereby reducing the cost of PCS moves for the Department by approximately $210,000. Termination of the incentive program will be considered if cost savings do not equal or exceed the cost of the incentive payments.

# QUESTIONS AND ANSWERS REGARDING HOME MARKETING INCENTIVE PROGRAM

Q: **What is a "homesale program"?**

A: It is a program offered by the Department through a contractual arrangement with a relocation services company, currently Associates Relocation Management Company, Inc. The relocation services company purchases a transferred employee's residence at fair market (appraised) value and then independently markets and sells the residence.

Q: **What is an "amended value" transaction?**

A: It is a part of the homesale program. When the relocation services company has made an appraised value offer on the residence, the transferee has sixty days to find a qualified outside offer equal to or greater than the appraised value offer made by the relocation services company for the residence. A qualified offer is defined as one that has a reasonable chance of closing and will yield an equal or greater net value to the transferee. If the relocation services company agrees that it is a qualified offer, the appraised value offer will be amended to reflect the value offered by the prospective buyer and the transferee will accept the amended offer.

Q: **What is the purpose of a home marketing incentive payment?**

A: To reduce the Department's relocation costs by encouraging transferred employees who participate in the Department's homesale program to market, and find a bona fide buyer for, their residence. This significantly reduces the fees/expenses the Department must pay to the relocation services company and effectively lowers the cost of the relocation services program.

Q: **How much is the home marketing incentive payment?**

A: It is 3 percent of the selling price of your residence, with a maximum payment of $9,000.

Q: **What funds should be charged when making the incentive payment?**

A: Funds for the Home Marketing Incentive Payment program will be applied to object class 121 (civilian personnel).

Q: **Under what circumstances will I receive a home marketing incentive payment?**

A: You will receive a home marketing incentive payment when you meet all of the following conditions:

(a) You enter your residence in the Department's homesale program;
(b) You place your residence on the market;
(c) You find a bonafide buyer for your residence as a result of your marketing efforts;
(d) You transfer title of the residence to the relocation services company; and

(e) The Department pays the amended value transaction fee to the relocation services company as a result of your marketing efforts.

Q: **Are there tax consequences when I receive a home marketing incentive payment?**

A: Yes, the home marketing incentive payment is considered income. Consequently, you will be taxed and the Department will withhold income and employment taxes on the home marketing incentive payment. You will not receive a withholding tax allowance to offset the withholding on your home marketing incentive payment, nor will you receive a relocation income tax allowance payment for any of your Federal, state, or local income taxes on the incentive payment.

Q: **May I receive the home marketing incentive payment if I sell my house on my own and am reimbursed for selling expenses by the Department?**

A: No, current regulations do not permit the Department to provide transferees incentive payments when they are directly reimbursed for allowable expenses related to sale of residence. Only by participating in the Department's homesale program are you eligible for the incentive payment.

Additional information regarding the Home Marketing Incentive Payment program is attached. Barry Uhlig (202-586-6166), Office of Financial Policy, is the contact point for this policy.

Attachment

cc: Travel Coordinators
Relocation Coordinators