

## 31.205-35 Relocation costs.

(a) Relocation *costs* are *costs* incident to the permanent change of assigned work location (for a period of 12 months or more) of an existing employee or upon recruitment of a new employee. The following types of relocation *costs* are allowable as noted, subject to the limitations in paragraphs (b) and (f) of this subsection:

(1) *Costs* of travel of the employee and members of the employee's immediate family (see [31.205-46](#)) and transportation of the household and personal effects to the new location.

(2) *Costs* of finding a new home, such as advance trips by the employee or the spouse, or both, to locate living quarters, and temporary lodging during the transition period for the employee and members of the employee's immediate family.

(3) Closing *costs* incident to the disposition of the actual residence owned by the employee when notified of the transfer (*e.g.*, brokerage fees, legal fees, appraisal fees, points, and finance charges), except that these *costs*, when added to the *costs* described in paragraph (a)(4) of this subsection, *shall* not exceed 14 percent of the sales price of the property sold.

(4) Continuing *costs* of ownership of the vacant former actual residence being sold, such as maintenance of building and grounds (exclusive of fixing up expenses), utilities, taxes, property *insurance*, and mortgage interest, after the settlement date or lease date of a new permanent residence, except that these *costs*, when added to the *costs* described in paragraph (a)(3) of this subsection, *shall* not exceed 14 percent of the sales price of the property sold.

(5) Other necessary and reasonable expenses normally incident to relocation, such as disconnecting and connecting household appliances; automobile registration; driver's license and use taxes; cutting and fitting rugs, draperies, and curtains; forfeited utility fees and deposits; and purchase of *insurance* against damage to or loss of *personal property* while in transit.

(6) *Costs* incident to acquiring a home in the new work location, except that-

(i) These *costs* are not allowable for existing employees or newly recruited employees who were not homeowners before the relocation; and

(ii) The total *costs shall* not exceed 5 percent of the purchase price of the new home.

(7) Mortgage interest differential payments, except that these *costs* are not allowable for existing or newly recruited employees who, before the relocation, were not homeowners and the total payments are limited to an amount determined as follows:

(i) The difference between the mortgage interest rates of the old and new residences times the current balance of the old mortgage times 3 years.

(ii) When mortgage differential payments are made on a lump-sum basis and the employee leaves or is transferred again in less than 3 years, the amount initially recognized *shall* be proportionately adjusted to reflect payments only for the actual time of the relocation.

(8) Rental differential payments covering situations where relocated employees retain ownership of a vacated home in the old location and rent at the new location. The rented quarters at the new location *must* be comparable to those vacated, and the allowable differential payments *may* not

exceed the actual rental *costs* for the new home, less the fair market rent for the vacated home times 3 years.

(9) *Costs* of canceling an unexpired lease.

(10) Payments for increased employee income or Federal *Insurance* Contributions Act (26 U.S.C.Chapter21) taxes incident to allowable reimbursed relocation *costs*.

(11) Payments for spouse employment assistance.

(b) The *costs* described in paragraph (a) of this subsection *must* also meet the following criteria to be considered allowable:

(1) The move *must* be for the benefit of the employer.

(2) Reimbursement *must* be in accordance with an established policy or practice that is consistently followed by the employer and is designed to motivate employees to relocate promptly and economically.

(3) The *costs must* not be otherwise unallowable under subpart 31.2.

(4) Amounts to be reimbursed *shall* not exceed the employee's actual expenses, except as provided for in paragraphs (b)(5) and (b)(6) of this subsection.

(5) For miscellaneous *costs* of the type discussed in paragraph (a)(5) of this subsection, a lump-sum amount, not to exceed \$5,000, *may* be allowed in lieu of *actual costs*.

(6)

(i) Reimbursement on a lump-sum basis *may* be allowed for any of the following relocation *costs* when adequately supported by data on the individual elements (*e.g.*, transportation, lodging, and meals) comprising the build-up of the lump-sum amount to be paid based on the circumstances of the particular employee's relocation:

(A) *Costs* of finding a new home, as discussed in paragraph (a)(2) of this subsection.

(B) *Costs* of travel to the new location, as discussed in paragraph (a)(1) of this subsection (but not *costs* for the transportation of household goods).

(C) *Costs* of temporary lodging, as discussed in paragraph (a)(2) of this subsection.

(ii) When reimbursement on a lump-sum basis is used, any adjustments to reflect *actual costs* are unallowable.

(c) The following types of *costs* are unallowable:

(1) Loss on the sale of a home.

(2) *Costs* incident to acquiring a home in the new location as follows:

(i) Real estate brokers' fees and commissions.

(ii) *Costs* of litigation.

(iii) Real and *personal property insurance* against damage or loss of property.

(iv) Mortgage life *insurance*.

(v) Owner's title policy *insurance* when such *insurance* was not previously carried by the employee on the old residence. (However, the cost of a mortgage title policy is allowable.)

(vi) Property taxes and operating or maintenance *costs*.

(3) Continuing mortgage principal payments on a residence being sold.

(4) *Costs* incident to furnishing equity or nonequity loans to employees or making arrangements with lenders for employees to obtain lower-than-market rate mortgage loans.

(d) If relocation *costs* for an employee have been allowed either as an allocable indirect or *direct cost*, and the employee resigns within 12 months for reasons within the employee's control, the contractor *shall* refund or credit the relocation *costs* to the Government.

(e) Subject to the requirements of paragraphs (a) through (d) of this section, the *costs* of family movements and of personnel movements of a special or mass nature are allowable. The cost, however, *should* be assigned on the basis of work (contracts) or time period benefited.

(f) Relocation *costs* (both outgoing and return) of employees who are hired for performance on specific contracts or long-term field projects are allowable if-

(1) The term of employment is 12 months or more;

(2) The employment agreement specifically limits the duration of employment to the time spent on the contract or field project for which the employee is hired;

(3) The employment agreement provides for return relocation to the employee's permanent and principal home immediately prior to the outgoing relocation, or other location of equal or lesser cost; and

(4) The relocation *costs* are determined under the rules of paragraphs (a) through (d) of this section. However, the *costs* to return employees, who are released from employment upon completion of field assignments pursuant to their employment agreements, are not subject to the refund or credit requirement of paragraph (d).

**Parent topic:** 31.205 Selected costs.