

## **Facts for 2018 W-2C IRS Penalty Relief**

What happened and when did it happen?

The Tax Cuts and Jobs Act (TCJA) made most civilian Permanent Change of Station (PCS) entitlements paid by the Government taxable, effective January 1, 2018. The Defense Finance and Accounting Service (DFAS) was unable to implement the TCJA before the end of tax year 2018 with respect to payments it made directly to third-party service providers for moving services provided to DoD employees. In other words, DFAS was unable to report income on employees' 2018 W-2s that was attributable to moving expense payments made to third-party service providers on the employees' behalf in tax year 2018.

DFAS completed a system change implementing the TCJA for third-party payments in September 2019 and thereafter began processing payments made to vendors for moving services in tax year 2018. DFAS issued 2018 W-2C's to impacted employees in November 2019. DFAS did not report to the employees the amount the Government paid the third-party service provider on the employees' behalf until it issued the W-2C. Because the Government pays the third parties directly, the employees do not receive bills or invoices for the moving services provided. Before issuance of the W-2C, employees would not have reasonably been able to know how much the Government paid the third party(ies) on their behalf, and thus, would not have been able to report the associated income to the IRS or pay taxes on it.