

## **Facts For IRS W-2C Penalty Relief For Tax Year 2019 and beyond**

What happened and when did it happen?

DFAS pays Permanent Change of Station (PCS) entitlements for civilian employees of the Army, Navy, Marine Corps and most Defense Agencies. DFAS pays most PCS entitlements to the employee. However, DFAS pays PCS entitlements for certain moving services (specifically, shipment and storage of household goods, shipment of personally owned vehicles, and transportation of mobile homes), directly to the third-party service provider. Although DFAS is able to report the majority of the third-party vendor payments in the tax year in which they are paid, occasionally circumstances arise that make it impossible for DFAS to report the payment prior to the close of the tax year. In these circumstances, DFAS will report the payment on a W-2C for the year in which DFAS paid the vendor and will remit to the IRS the employer and employee's share of FICA. However, because the tax year in which the payment was made has already closed, DFAS is unable to remit Federal income tax withholdings owed on the vendor payment.

Because DFAS pays the third parties directly, the employees do not receive bills or invoices for the moving services provided. Nor do employees know when DFAS has paid a vendor for services rendered. 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.