

RECEIVED DEC 23 1993

Pacific Gas and Electric Company

175 North Widge Lane, Suite 150
Walnut Creek, CA 94598
510/746-4282

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December 22, 1993



Local Union No. 1245
International Brotherhood of
Electrical Workers, AFL-CIO
P.O. Box 4790
Walnut Creek, CA 94598

Attention: Mr. Jack McNally, Business Manager

Gentlemen:

Recent changes to Federal Tax Codes impact the taxation of employee moving expenses effective January 1, 1994. Attached for your information is a summary document describing these changes in the I.R.S. Tax Code.

Please note that the enclosed references to changes in Corporate Relocation Policies are not intended to apply to our collectively bargained moving allowance under 206.8 / 19.8 of the Agreements. However, the taxation of this allowance may be impacted by this mandated I.R.S. change.

Please contact Jeff Sisson at your convenience if you have any questions concerning this information.

Sincerely,

David J. Bergman
Director and Chief Negotiator

JDS:mh

Attachment

cc: Denise Nicco

Date: December 17, 1993 **File #:** 724.3-1
To: VARIOUS
From: STAFFING
Subject: New Tax Code/Relocation



LISA BATES
BILL EDDY
TOM PHEBUS
JIM ROBERTSON

PAT SHELTON
MARGARET SHORT
DEB TREVELLINI

Recent changes to the Federal tax code will impact the future taxability of employee moving expenses. We have made the following changes to our corporate relocation policies to comply with these code changes while providing continued assistance to our relocating employees.

A) The federal mileage requirement (for tax purposes) has been increased from 35 to 50 miles. Therefore, in order to qualify for relocation the employees new commute must exceed the current commute by 50 miles.

To meet the mileage requirement, the distance between the current home and current headquarters must exceed by 50 miles, the distance between the current home and new headquarters.

Effective January 1, 1994, this distance test will be applied to all PG&E relocations. This replaces previous test of 45 miles and 50 minutes.

B) The tax code has eliminated many of the previously deductible moving expenses. The deductibility of reimbursable items will now apply only to the move of household goods, the first 30 days of storage and mileage and lodging expenses incurred on the day of the move. All other items must be considered income and reported as such.

To reduce the financial impact of this tax change, the company will tax protect non-deductible items as outlined in Attachment I. Both changes will be effective January 1, 1994.

Senior HR Advisors
December 17, 1994
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Please share these tax changes with any employees who are currently contemplating a move. Denise Nicco is available to discuss tax consequences and eligibility issues with all interested employees.

Please contact Denise on company extension 223-5170 with any questions.



GREG ROGERS

DN(223-5170):rsb

Attachment

cc: HR Directors
HR Managers
Barbara Coull Williams

TAX SUMMARY
(moves more than 50 miles)
Effective 1/1/94

BENEFIT	TAXES WITHHELD	TAXES PAID BY
Enroute Expenses	None	Fully deductible
Household Move Household Storage	None None for first 30 days	Fully deductible Fully deductible for first 30 days Excess of 30 days tax protected by the company at flat rate. Employee pays FICA (OASDI)
Cash Moving Allowance	Federal State FICA	Employee
Househunting Trip	Federal State FICA	Company: Flat Rate Employee: FICA (OASDI)
All Meals	Federal State FICA	Company: Flat Rate Employee: FICA (OASDI)
Personal Living Expenses	Federal State FICA	Company: Flat rate Employee: FICA (OASDI)
Home Sale - Direct Reimbursement (in lieu of Home Purchase Firm)	Federal State FICA	Employee: Taxes withheld from paycheck following reimbursement
Home Purchase - Direct Reimbursement	Federal State FICA	Company: Flat rate on first \$1500 Employee: Any excess taxes will be withheld from paycheck following reimbursement

BENEFIT	TAXES WITHHELD	TAXES PAID BY
Loss on Sale	Federal State FICA	Company: Flat Rate Employee: FICA(OASDI)
Area Housing Cost Allowance	Federal State FICA	Employee
Mortgage Interest Differential Allowance	Federal State FICA	Employee

All reimbursements for moving expenses will be included on the employee's W-2 as other income except household move, storage (first 30 days) and enroute expenses.

Federal, State and FICA taxes withheld will also be included on the employee's W-2 whether paid by the employee or the company.

The company will furnish IRS Form 4782 (Employee Moving Information) which is to be filed with the employee's tax return. Form 4782 will be provided by January 31, for the prior year's expenses.

The company uses a standard withhold rate of 35.45 percent (28% Federal, 6% State, 1.45% Hospital Insurance (FICA))

1994 FICA Limits: 6.20% to \$57,600
1.45% to unlimited