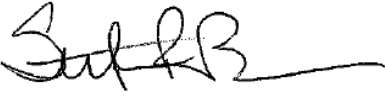




Pennsylvania
Office of the Budget

MEMO

TO: All Human Resource Directors for
Agencies Serviced by the
Bureau of Commonwealth Payroll Operations

FROM: Stephen R. Burns 
Director
Bureau of Commonwealth Payroll Operations

DATE: November 26, 2025

RE: BCPO Payroll Memo #25-06
Taxation of Fringe Benefits - Moving & Parking 2025

The Bureau of Commonwealth Payroll Operations (BCPO) recently completed our annual review to identify employees who have received taxable moving and parking fringe benefits. This review was done to ensure that affected employees receive an accurate Form W-2, "Wage and Tax Statement." In addition, affected employees are sent an e-mail notification concerning payroll deductions for taxable moving and parking fringe benefits.

Effective January 1, 2018, employers must include as taxable wages any moving expenses that were paid to or on behalf of employees for tax year **2025**. The benefit that allowed certain moving expenses to be tax-free ended as part of the tax-code overhaul (Pub. L. 115-97) signed into law December 22, 2017. BCPO gathered information from our Travel Audit Division and processed adjustments to each affected employee's taxable income for **2025** moving expenses.

In addition, during May and November **2025**, BCPO coordinated information from Commonwealth agencies and posted adjustments to each affected employee's taxable income for parking fringe benefits which was also based on the Internal Revenue Code §132. The IRS breaks out employer-provided and/or paid parking expenses into a "qualified" and "nonqualified" component. The parking expense is qualified and not included in taxable income if it is equal or less than the exemption amount set by the IRS. If the parking expense exceeds the exemption threshold, the employer must include the excess in the employee's taxable income. **For 2025, the IRS threshold is \$325 per month.**

BCPO has calculated the additional taxable income for moving and parking expenses, and we will subsequently contact affected employees by e-mail to notify them about the adjustment, increasing their taxable income and related deductions for Federal withholding, Social Security and Medicare taxes. As a final step, BCPO will process the necessary transactions in SAP and subsequently remit the applicable taxes to the appropriate Federal taxing agencies.



MEMO

Please share this memorandum with any staff member responsible for tax inquiries. Questions related to the taxation of fringe benefits can be sent to our Payroll Processing division at RA-OBBCPO-PYPROC DIV@pa.gov.

cc: John Kaschak, Deputy Secretary for Comptroller Operations, Office of the Budget
Jason Swarthout, Deputy Secretary for Human Resources and Management
Lisette Lindsay, IES Business Operations Human Resources Manager
Michele Wiest, IES Business Operations Payroll Manager
Bureau Directors