

Transforming Mobility: Operational and Strategic Opportunities Created by the 2018 Tax Cuts and Jobs Act



Today's Facilitators



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Operational Impact

U.S. Tax Reform Update

The 2018 Tax Cuts and Jobs Act was signed by the president on December 22, 2017, and may have significant impacts on the relocation industry.

Tax Reform Highlights (Relocation – specific)

- Removal of IRS Criteria to qualify certain moving expenses as excludable (from income)*:
 - ❖ Time Test
 - ❖ Distance Test
 - ❖ Qualified Expenses
- Some tax-excludable expenses are now taxable:
 - ❖ Household Goods Shipment
 - ❖ Storage (first 30 days)
 - ❖ Pet Shipment
 - ❖ Automobile Shipment
 - ❖ Final Trip Expenses (lodging, airfare and tax-excludable mileage)

**SIRVA recommendation is that a form of this criteria be included to determine eligibility for company relocation support*

U.S. Tax Reform Update

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Relocation Impact

- Increased program costs where companies agree to gross-up previously non-taxable relocation support
 - May be partially offset by lower corporate tax rates
 - May be partially offset by lower individual tax rates (required gross up is lower than 2017)
 - Where companies choose not to gross-up, additional relocation barriers may impact their ability to move employees, thereby impacting business and talent objectives tied to mobility

Polling Question #1

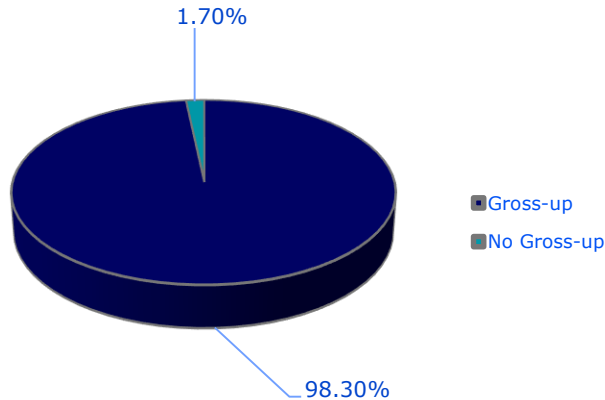
What gross-up approach has your organization decided on?

- A) Gross-up expenses
- B) No gross-up
- C) Gross-up expenses now and re-evaluate program or policy within next year
- D) Unsure

U.S. Tax Reform – Market Trends



What are other companies doing?



100% are applying the gross-up approach across all policies



“There was no policy reason for repeal – just revenue raising (estimated as \$12 billion over a 10 year period)”
— January 9, 2017 ERC Webinar, “The New Law: What You Need to Know about U.S. Tax Reform and Mobility”

U.S. Tax Reform – At a Glance

| Tax Provision | Change | 2017 Tax Law | 2018 Tax Law | Relocation Impact |
|---|--------|--|---|--|
| State and Local Income, Sales and Property (including foreign real property) Tax Deduction | Yes | Unlimited | <p>State and local Property Tax, and Local Income Tax (or Sales Tax in lieu of Income Tax) Deduction Deduction capped at an aggregate amount of \$10,000</p> <p>Foreign Real Property Tax Eliminated for personal tax return</p> | <p>Could result in higher cost (COLA Adjustment) to relocate to jurisdictions with a higher local tax.</p> <p>Employee in high cost states like CA and NY could be faced with paying higher taxes and affect gross-up. This could lead to resistance to relocate to certain locations.</p> |
| Mortgage Interest Deduction | Yes | <p>Mortgage Interest Deduction Interest on mortgages up to \$1,000,000</p> <p>Eligible Homes Primary and secondary</p> <p>Home Equity Loans Deduction permitted for home equity loans up to \$100,000</p> | <p>Mortgage Interest Deduction Interest on mortgages up to \$750,000. Acquisition debt incurred prior to December 15, 2017, that exceeds the new threshold will be grandfathered</p> <p>Eligible Homes Primary and secondary</p> <p>Home Equity Loans Deduction eliminated for home equity loans</p> | <p>Mortgage Interest Some employees may hit interest cap since the cap was reduced.</p> |
| Household Goods | Yes | Unlimited for employment-related moves | <p>Eliminated Household goods move, auto shipment, pet shipment and first 30 days of storage.</p> <p>Eliminated Final trip expenses (lodging, airfare and mileage to tax excludable IRS rate)</p> <p>Still applies for military moves – no change</p> | <p>Will result in taxable income to employee for employer reimbursed HHG shipments.</p> <p>Previously excludable expenses are now taxable and if clients choose to gross up these expenses, relocation costs may increase.</p> |

U.S. Tax Reform – At a Glance

| Tax Provision | Change | 2017 Tax Law | 2018 Tax Law | Relocation Impact |
|--|--------|--|--|---|
| Supplemental Withholding Rate | Yes | 25% | 22%; 37% over \$1M | Could increase over withholding and gross up for transferees whose tax rate is below 37%. |
| Relocation Home Sale Program | No | Permitted if provided in accordance by IRS Revenue Rulings | Permitted if provided in accordance by IRS Revenue Rulings – no change | Home sale programs are not based on the tax code so there is no change in tax benefits of a BV or AV home sale program (whether fixed fee or cost plus). HOME SALE PROGRAMS WERE NOT IMPACTED BY THE TAX REFORM. |
| Capital Gain on Sale of Residence | No | Excludable Up to \$500,000 for married couple and \$250,000 for single Residence Condition Lived in the property 2 out of 5 years | Excludable Up to \$500,000 for married couple and \$250,000 for single Residence Condition Lived in the property 2 out of 5 years | No impact Available for use every 2 years |



Mobility Strategy



Talent Mobility and Cost Rationalization



Program Segmentation

Talent Mobility and Cost Rationalization



Program Segmentation

Moving the right people.....

Talent Mobility and Cost Rationalization



Program Segmentation

Moving the right people.....

To the right place.....

Talent Mobility and Cost Rationalization



Program Segmentation

Moving the right people.....

To the right place.....

With the right support.....

Talent Mobility and Cost Rationalization



Candidate Selection

Talent Mobility and Cost Rationalization



Relocation Planning

Talent Mobility and Cost Rationalization



Cost Projections

Talent Mobility and Cost Rationalization



Cost Projections

Polling Question #1

Talent Mobility and Cost Rationalization



Cost Projections

Polling Question #2

Talent Mobility and Cost Rationalization



Cost Projections

Polling Question #3

Rebranding

Shift from
operational to
strategic

Rebranding

Shift from
operational to
strategic

Align Mobility
with organization
and talent teams

Rebranding

Shift from
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Develop
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Rebranding

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Q&A



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