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October 9, 2018
11:00 am EST



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2017 Tax Cuts and Jobs Act: (Almost) a Year Later and a Look Ahead



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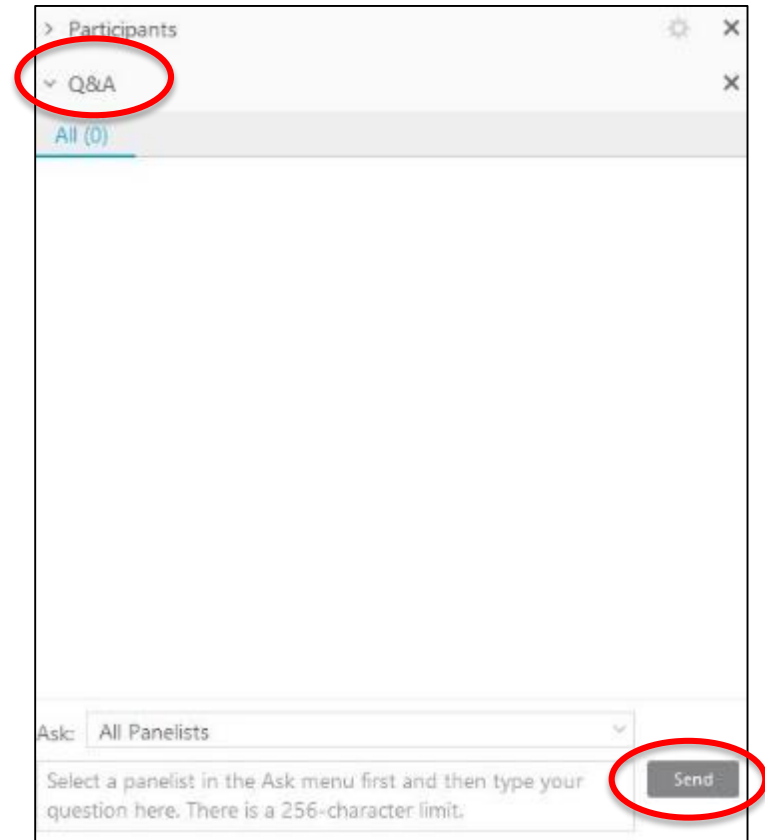
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Q&A Instructions

- Submit questions through Q&A dialogue box
- Box is located in lower right corner of screen
- Do not use the Chat Box
- Be specific
- You may submit your question at any time

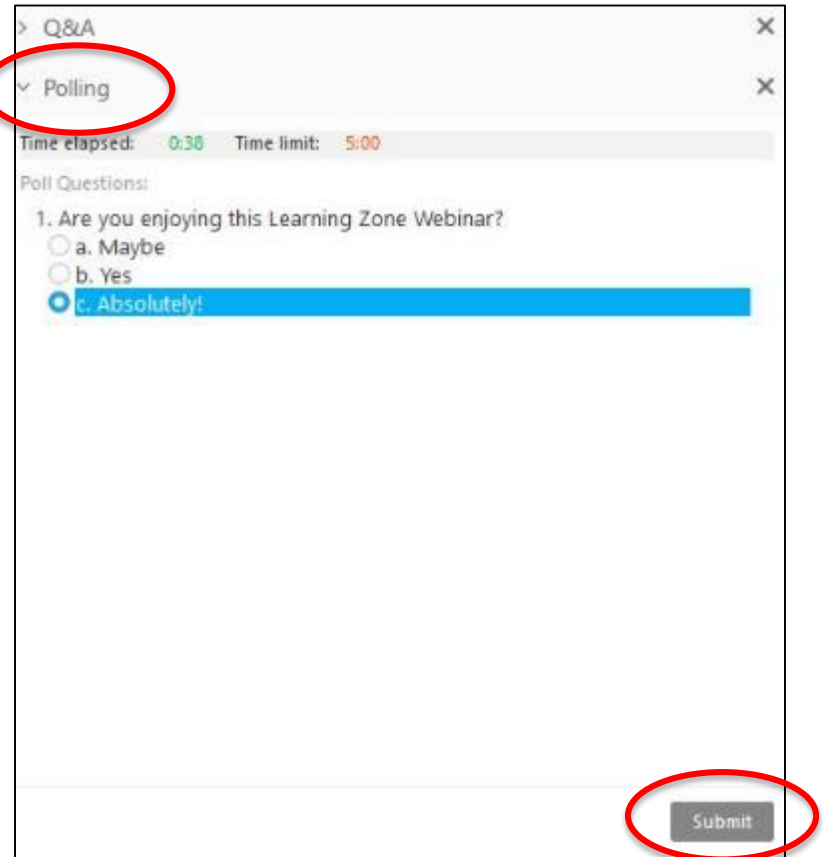
Q&A Dialogue Box:



Polling Instructions

- The Polling Box appears below Q&A Box
- Question will appear on slide and in the Poll Box
- Submit answer quickly
- Results will display in the same location

Polling Box:



The screenshot shows a 'Polling Box' interface. At the top, there is a 'Q&A' section and a 'Polling' section, both with expand/collapse arrows. The 'Polling' section is circled in red. Below the 'Polling' section, there is a progress bar showing 'Time elapsed: 0:38' and 'Time limit: 5:00'. The main content area is titled 'Poll Questions:' and contains a single question: '1. Are you enjoying this Learning Zone Webinar?'. There are three radio button options: 'a. Maybe', 'b. Yes', and 'c. Absolutely!'. The 'c. Absolutely!' option is selected and highlighted with a blue bar. At the bottom right of the box, there is a 'Submit' button, which is also circled in red.



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Today's Presenters



Taryn Kramer

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2017 Tax Cuts and Jobs Act

The 2017 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)

Breaking News

A statement by the IRS on September 21, 2018 clarified that the suspension of the tax deduction/exclusion for relocation expenses only applied to payments or reimbursements for expenses related to moves that occurred on or after January 1, 2018. Reimbursements or employer payments made in 2018 for employee moves in 2017 would remain excludable for the purpose of employee income tax.

Polling Question #1

What gross-up approach has your organization decided on?

- A. No gross-up for all taxable/non-excludable relocation support
- B. Gross-up for all taxable/non-excludable relocation support
- C. Gross-up for all taxable/non-excludable relocation support now, with a re-evaluation of policy within a year
- D. Gross-up approach will depend on move type
- E. Unsure

Market Trends

What are other companies doing?

98% of all companies are grossing up previously non-taxable/excludable relocation items.

Polling Question #2

Are you aware that some states will treat relocation expenses differently than how those expenses are treated for federal purposes?

- A. Yes
- B. No

State Differences

14 states will not tax moving expenses, and will still allow for exclusions and deductions as in previous years.



AR, AZ, CA, HI, IA, KY, MA, ME, MN, NY, NJ, PA, SC, VA

Conforming vs. Non-Conforming States

No State Taxation	Law to Conform	Auto-Conform		Nonconforming - Legislation	Nonconforming - Static
Alaska	Georgia	Alabama	Michigan	Arizona	Arkansas
Florida	Idaho	Colorado	Missouri	Hawaii	California
New Hampshire	Indiana	Connecticut	Mississippi	Iowa	Massachusetts
Nevada	North Carolina	Washington, DC	Montana	Kentucky	Minnesota
South Dakota	Maine	Delaware	North Dakota	New York	New Jersey
Tennessee	Ohio	Illinois	Nebraska	Pennsylvania	
Texas	Oregon	Kansas	New Mexico	Virginia	
Washington	South Carolina	Louisiana	Oklahoma		
Wyoming	Vermont	Maryland	Rhode Island		
	Wisconsin		Utah		
	West Virginia				

Relocation Implications



Program costs where organizations agree to gross-up previously non-taxable/excludable relocation support

- May be partially offset by lower corporate tax rates
- May be partially offset by lower individual tax rates (required gross up may be lower than 2017)



Barriers to relocation due to required investment (corporate or employee)



Challenges to meet business and talent priorities where talent deployment is critical



Year End Complexity and need for review and assessment

- The supplemental payroll withholding rate, which is used by most organizations to determine gross-up, has been reduced from 25% to 22%. As a result, many employees will be under grossed-up. *The market best practice recommendation is to perform a year-end true-up to compare year to date withholding versus gross-ups*
- State rulings
- Taxability of 2017 relocation costs

Impact on Relocation Professionals

- Time investment to educate
- Time investment to adjust processes and systems
- Time investment to audit

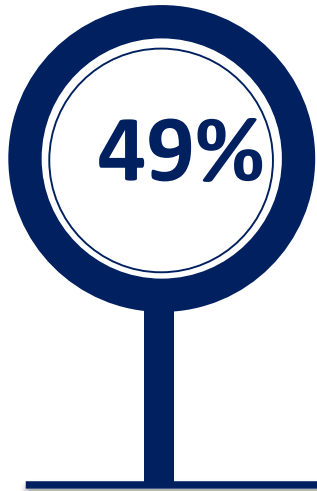
Polling Question #3

Does your organization provide pre-move tax consultations for employees on US domestic relocations?

- A. Yes
- B. No
- C. Unsure

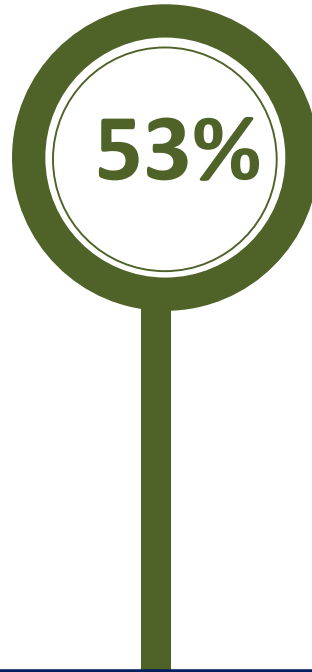
Strategic Implications

Mobility is Critical

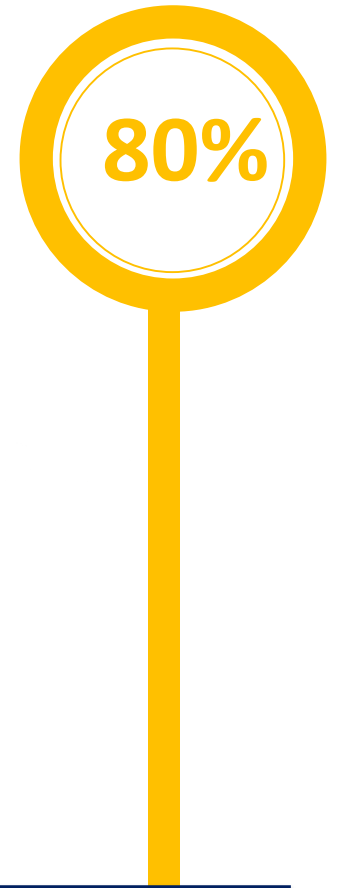


Percentage of respondents who agree that career experience outside of their home location is a key requirement for career advancement at their company

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Percentage of companies who select "organizational growth" as the company's top priority



Percentage of companies who rank talent deployment as "extremely" or "very" important to the overall success of the organization

SOURCE: SIRVA 2018 Annual Report: Talent Mobility for Business Growth and Workforce Development



Mobility Demands



Candidate Selection



Relocation Planning



Mobility Investment



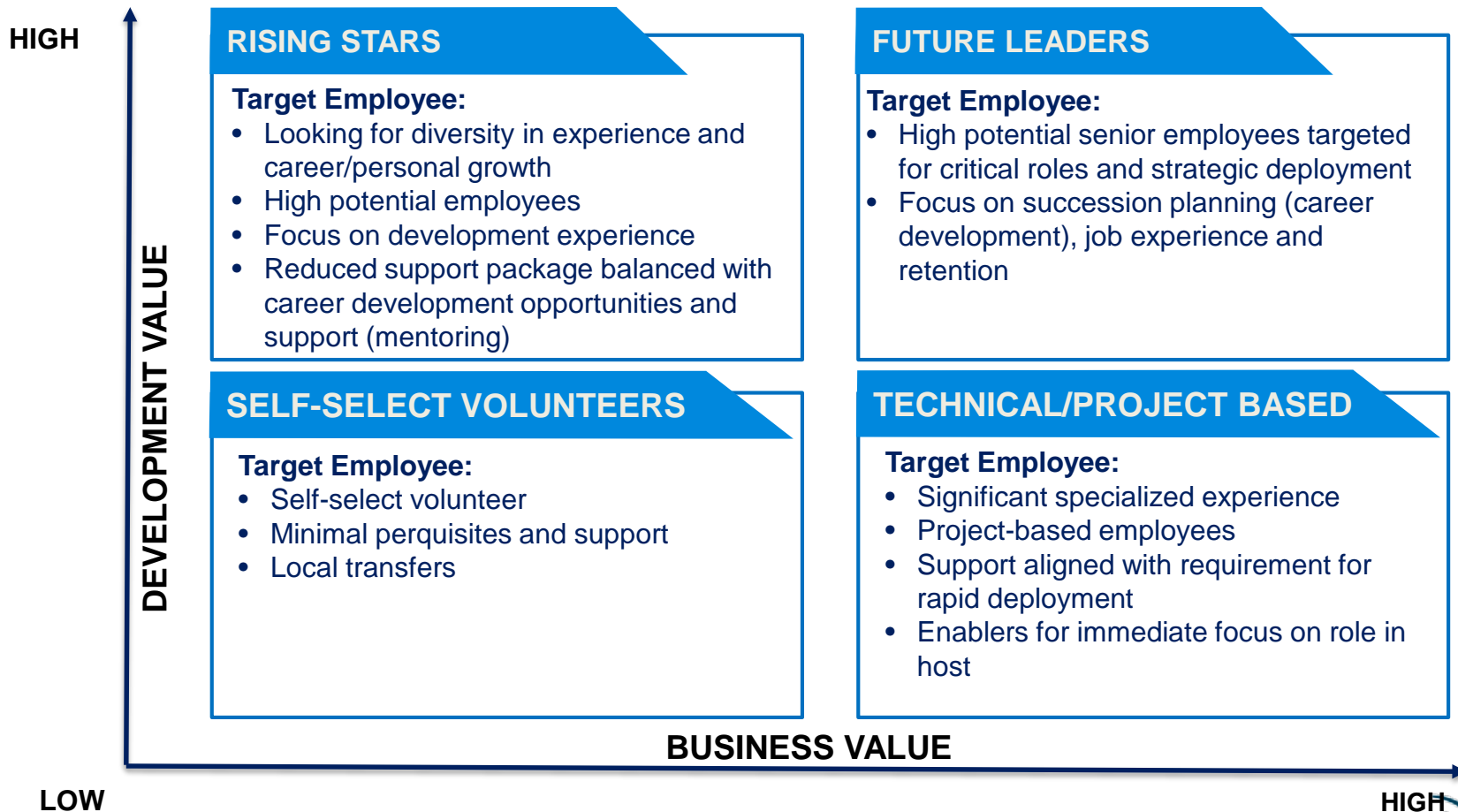
Customer Satisfaction



Compliance

Talent Mobility

Mobility program segmentation = investment rationalization



Polling Question #4

Is your organization considering delivering relocation support via a lump sum as a result of tax reform changes?

- A. Yes
- B. No
- C. Unsure
- D. We already use a lump sum

Polling Question #5

If your organization is considering the use of a lump sum for relocation expenses, or already uses a lump sum, what is it intended to cover (select all that apply)?

- A. HHG Shipment
- B. Storage
- C. Final Trip Expenses
- D. Home Sale/Purchase
- E. We do not use a lump sum
- F. Unsure

Support Delivery – Lump Sum

No Support

Lump Sum Only

The lump sum is provided in lieu of all benefits and services. The employee receives the cash lump sum and coordinates their own move and associated services.

Partial Support

Lump Sum with Support for Services

The lump sum is provided to cover all benefits. The employee receives guidance on how to maximize the lump sum, connecting them with suppliers to assist with services and helping them understand how to coordinate relocation services with their relocation timeline. Support can be done thru a counselor or through a technology portal

Lump Sum with Benefits

The lump sum is provided to assist with certain benefits that would typically be reimbursed (home finding trip, temporary housing, etc.) The employee receives guidance on how to best utilize their lump sum and can connect the employee with suppliers to assist them. Vendor provides all other relocation benefits and coordinates the services

Lump Sum for Flex Benefits

The lump sum is provided to assist with Flex benefits offered in their relocation policy. The employee receives guidance on how to maximize the lump sum and can connect the employee with suppliers to assist them

Pros vs. Cons



Flexibility

Accountability for fund usage

Employee experience

Subject matter expertise



Taxable

Appropriate use of funds

Employee experience

Subject matter expertise (employee productivity)

Controls and compliance



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