



Tax Reform and Transferees: What You Need to Know

Tax Reforms in 2018 will have an impact on deductions and property taxes. Below is a brief summary of the primary changes. As always, individuals should consult their tax advisors.

Moving Expense Deduction: As of January 1, 2018, movement of household goods, storage, and final move travel are taxable to transferees. With the elimination of the moving expense deduction, the “50 mile”, “39 week” and “one year” rules as well as the 18 cents per mile vehicle allowance are no longer relevant. This change should be reviewed closely with your relocation management company to fully understand the impact to your organization.

Tax Rates and Withholding: The tax rates are generally lowered which should reduce the marginal tax rate for employees. The supplemental withholding rate that is used by most companies to withhold on taxable relocation benefits and to calculate gross-up will fall from 25% to 22%. However, with the loss of moving expenses and other deductions, companies will need to manage their gross-up programs carefully, especially with the new tax rates.

State and Local Income, Sales and Property Taxes: State and local income, sales, and property taxes remain deductible, but only up to \$10,000 combined. Employees moving into high tax areas are more likely to be affected.

Mortgage Interest Deduction: The mortgage interest deduction is retained, but the maximum loan amount to be able to deduct was reduced from \$1M to \$750,000. Employees moving into high cost areas are more likely to be impacted by this new threshold for mortgage interest deductions.

Home Sale Capital Gains Exclusion: There were no changes here. Both the House and Senate had proposed changing the required ownership and use as a principal residence to 5 out of 8 years from the current 2 out of 5. That would have certainly impacted relocation with many transferees moving again inside of a 5 year window, but fortunately there were no changes regarding Capital Gains on homes.

Table 1. Tax Brackets and Rates, 2018

Rate	For Unmarried Individuals, Taxable Income Over	For Married Individuals Filing Joint Returns, Taxable Income Over	For Heads of Households, Taxable Income Over
10%	\$0	\$0	\$0
12%	\$9,525	\$19,050	\$13,600
22%	\$38,700	\$77,400	\$51,800
24%	\$82,500	\$165,000	\$82,500
32%	\$157,500	\$315,000	\$157,500
35%	\$200,000	\$400,000	\$200,000
37%	\$500,000	\$600,000	\$500,000

Understanding the impacts to your organization of the recently approved tax reform may take some time to fully digest. For more information, please contact us.



+1 703.260.3323
www.caprelo.com



936.718.1997
www.CNMRelocation.com