



CLIENT BULLETIN

COVID-19 Stimulus Package & Disaster Relief

On March 13, 2020, the COVID-19 pandemic was declared a national emergency by President Trump. Under this declaration, the Robert T. Stafford Disaster Relief and Emergency Assistance Act was enabled, allowing employers to make **non-taxable** disaster related relief payments to employees in need. While there was initially some uncertainty surrounding what payments can be considered as qualified disaster relief payments, it has since been determined that under I.R.C. §139(b)(1), additional mobility costs that are reimbursed or paid to cover reasonable and necessary personal, family, and living expenses are qualified.

Items which **may be considered non-taxable** under this law include but are not limited to:

- Extended or new temporary living for those “stuck” in a location or unable to move forward with their permanent residence
- Higher commuter costs (taxi/Uber) to avoid mass transit
- Transportation costs to return assignees/transferees to home countries
- Housing and transportation costs for additional family members (e.g., college students having to return home)

Aires has created separate billing/reporting codes in order to properly track and identify COVID-19 disaster related relief payments that may be considered non-taxable.

For additional information, please see the article published by Peter Scott, Esq., of the Worldwide ERC®: <https://www.worldwideerc.org/news/employers-can-make-tax-free-disaster-relief-payments-to-employees>.

It is important that you work with your tax consultant to review and determine how your company will choose to treat such reimbursements. We are fully committed to following your direction and to helping your employees maintain a sense of normalcy during these challenging times.

Additionally, with the passing of the CARES Act on March 27, individuals may qualify for an Economic Relief Payment which is a credit against their 2020 taxes. Qualification will be determined by the individual adjusted gross income from either their 2019 tax return, or if not yet filed, their 2018 tax return. For those individuals who received mobility-related benefits during this timeframe, the addition of the mobility benefits to their income may negatively impact their ability to qualify for such relief. As such, companies will have to determine whether they will provide payment to offset the loss of credit due to the mobility benefits that were included in their W-2.

Per the Worldwide ERC®, relocation and tax departments must take steps to understand the issues that result from the income calculations for receipt of 2020 relief payments and be prepared to explain them to transferees. The reason for careful consideration is that the tax credit will be reconciled at the time the employee files their 2020 return.

Our clients may still wish to explore the impact of mobility benefits on Economic Relief Payment qualification. For those that wish to do so, Aires has partnered with Ineo to provide a resource to assist you in analyzing these specific situations. Ineo can determine whether or not an employee would have been due funds had they not relocated. This service will be offered free of charge to any Aires' client. Once determined, clients will have the option of moving forward with a full tax reconciliation (for an additional cost). This will provide detail regarding how much money is truly owed and a full detailed tax analysis from Ineo. Any costs for this further tax analysis may be treated as a business expense. For those that wish to do so, you may independently reach out to our partner, Ineo Tax Services, to analyze these specific situations at taxservices@ineomobility.com.

For additional information on these topics from the Worldwide ERC®:

<https://www.worldwideerc.org/event-materials/webinars-archive/working-session-weekly-coronavirus-update>.

Please reach out to your Aires representative with any additional questions.

Thank you,
Aires