

Tax Saving Strategies for Corporate Clients

An average penalty of \$8,000 per move could cost a company that relocates 200 employees each year nearly \$1.6 million. The trick to avoiding getting penalty charges is to withhold taxes on a timely basis, David Oltman, President and CEO, Orion Mobility /Relocation Taxes told participants at the ERC Conference.

At the "Relocation Tax Jeopardy" session, Oltman explained that relocation expense reimbursements are subject to withholding at the time of payment. Taxable moving expenses (lump sums) are treated as if they were paid under a "nonaccountable" plan. The panel offered tips on tax savings strategies corporations should consider for withholding and gross-ups:

- Look for a business purpose to write off an expense, such as temporary assignments under one year, pre-employment physicals, housing hunting trips as business trips (break out spouse expenses).
- Use a third-party Home Sale Company or Qualified In-House Program.
- Have trained relocation tax expense professionals tax code and audit all expenses entered from the transferee's expense report.
- Do not include either Van Line or Final Move expenses in a "Lump-Sum" allowance. Why? Because they are not taxable when

receipts are provided. Employees can still deduct their moving expenses even if they receive a lump sum that is taxable and grossed-up.

- Re-capture any FICA overpayments—Year-end "true-up." Only adjust for "negatives" differences.
- Explain/Educate transferees with regard to how their gross-ups were calculated.

CPAs Don't Always Know What's Right

CPAs often make mistakes with transferees' tax returns as they try to keep the "transferee whole," Oltman explained. Corporations and third parties should watch out for the following red flags:

- The tax return is prepaid incorrectly. Excludable (W-2 Box 12-Items preceded by

the letter "P") are not properly reported and carried forward to the 1040 Federal tax return.

- IRS Form 3903 "Moving Expenses" is not completed properly, or not at all.
- Points/Loan Origination fees are not deducted properly on IRS schedule A.
- Part Year and non-resident State Tax Returns are not completed properly.
- Accountant is not familiar with the company's relocation tax gross-up policy and doesn't know what expenses are grossed-up and which are not subject to tax assistance.
- Other income (spouse income) is used to establish tax brackets both "with" and "without" the move.

Keep an Eye on Part-Time Employee Work Space

Companies hiring part-time employees working out of home offices should have a policy in place to avoid job-related liabilities. That policy should include a description of an appropriate workplace and ergonomic aspects of all furniture used, along with a requirement for a home visit by a safety officer before employees start their jobs.

A recent ruling by the Amsterdam appeal court in the Netherlands found Dutch pension fund PGGM was responsible for the injuries sustained by a part-time employee, who worked at a computer the company gave her, using an old door as a table. After two month of work, the employee said she developed RSI in both arms and said she could not work. After nine years, her condition persisted and she filed a lawsuit.