



RELOCATION TAX ISSUES NEWSLETTER

Summer 2010 Volume 24, Number 10

Save the Date!

September 20-21st, 2010

23rd ANNUAL Global Relocation, Tax, Payroll & Legal CONFERENCE

At the Crowne Plaza Hotel, White Plains, NY

The conference will educate you on the latest trends and developments and help you to find ways to save on program expenses, properly apply gross-up policies, and maintain compliance.

This year's conference will feature discussions on:

- Impact of the 2010 Health Care Bill
- Managing temporary assignments and the tax impact
- Cost effective ways to save money on your tax policies
- Lump sum program trends
- Up-to-the minute Federal tax trends and developments
- First time home buyers tax credit
- Identify best practices from our industry panel
- International policy developments

The Health Care Reform Bill Creates Plenty of Tax Changes

As anyone who watched television was well aware, President Obama recently signed into law a Health Care Reform Bill. By the year 2014, nearly everyone will have access to health insurance. With all the debate and compromises, this landmark legislation contains a lot of details and we need to understand how the forthcoming changes will impact our industry.

On March 23, 2010, the Patient Protection and Affordable Care Act (PPACA) was signed, followed shortly thereafter by the Health Care and Education Affordability Act (HCEAA) on March 30, 2010. Health care reform has widespread implications for health insurance and coverage by employers, as well as taxes and withholdings for employees. There is an eight-year phase in period for many of the provisions. Most of the changes affect high-income earners. High-income earners are defined as individuals earning over \$200,000 per year or those filing jointly over \$250,000. Some of the more note worthy taxes and withholding changes are detailed below.

Starting in 2013, Medicare withholding rates will increase an additional 0.9% for high-income earners. This effectively increases the Medicare withholding rate from 1.45% to 2.35% for those in the high-income bracket. However, the employer portion of Medicare tax will remain at 1.45% even on these higher paid employees.

Also starting in 2013, the new law levies a 3.8% tax on income from interest, dividends, annuities, royalties, rents, and other investment income on singles with adjusted gross income (AGI) over \$200,000 and on those filing joint returns with AGI over \$250,000. The tax is levied on the smaller of the filer's net investment income or the excess of AGI over the thresholds.

Since capital gains are treated as investment income, this tax may come into play when selling a home. If an individual is over the income threshold in 2012 and expects to pay capital gains on the sale of the home (typically those who make a gain of at least \$250,000 if single or \$500,000 if married filing jointly), then the gain above the threshold will also be taxed. Keep in mind that for those who have lived in the primary

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Global Relocation,
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PRESENTED BY

September 20-21, 2010
Crowne Plaza Hotel
White Plains, NY

*For Corporate Human Resource, Tax,
Payroll and Relocation Professionals*

EARN CEU, CPE, AND CRP CREDITS

23rd ANNUAL CONFERENCE

More conference topics:

- Providing global compensation services for expatriates
- Tax Equalization and Totalization Agreements
- Government RITA & WTA Gross-up Calculations

Event Registration and Fees**\$595** for both days**\$545** each for two participants from the same company**\$495** each for three or more participants from the same company**\$295** each for one day — all participants (Monday or Tuesday)**\$195** Handouts only — for people who cannot attend the seminar but still want the handouts**We hope to see you there!**

To RSVP, visit our website:

<http://orionmobility.com>Or call us at:
(203) 762-0365

New Taxes, continued

residence for less than two of the last five years and qualify for an exception, the \$250,000/\$500,000 cutoffs are lowered proportionately as a percentage of two years. As a result, these individuals are more likely to pay capital gains tax on the sale. The exemptions are granted for primary residences only, those selling second homes will not get the \$250,000/\$500,000 home sale exclusion, and will pay capital gains tax on the entire gain from the sale of a second home or investment property.

How does this impact relocation? If a transferee is reimbursed for taxable moving expenses, the reimbursement itself becomes income to the transferee, which may boost them into a higher income category. A transferee whose adjusted gross income (AGI) prior to their relocation was below the thresholds, and is pushed over when taxable relocation dollars are added, could be looking at thousands of dollars in additional tax due to their relocation. If you as the employer, decide to cover these additional taxes, the taxes paid on behalf of the employee are also included in the employee's taxable earnings. Thus, pushing the AGI up even higher. Now more so than ever, the importance of accurately calculating your tax Gross-Ups is of vital importance.

Additional changes slated to begin in 2013 for anyone filing an itemized return, include an increase to the 10% of gross income threshold on health care expenses before they can be deducted. Today, taxpayers can take a deduction on most health care costs that are in excess of 7.5% of gross income. While the percentage increases to 10% in 2013, there are some exceptions to the rule such as individuals over the age of 65 who will continue to use 7.5%.

Congress is now talking of the US adopting a Value Added Tax, also known as the VAT tax, within a few years. The VAT tax is common throughout Europe and has similarities to a national sales tax. It is a consumption tax assessed on the value added to goods and services that are bought and sold for use or consumption within a community.

Orion Mobility will continue to monitor all tax law modifications and rate changes. Please join us at our 23rd annual tax conference being held on September 20th and 21st in White Plains, NY where we will discuss this topic and many other new tax law changes in great detail. You can also visit our website www.orionmobility.com for additional tax information.

**Orion Mobility Headquarters**88 Danbury Road, P.O. Box 428, Wilton, CT 06897
Tel. 203 762-0365 • Fax 203 834-9625**Chicago Office**100 N. La Salle Street, Suite 350, Chicago, IL 60602
Tel. 312 559-9800 • Fax 312 559-9902**Qingdao, China Office**No. 2 Dong Hai Road, Suite 11-E1, Qingdao, Shandong 266071, P.R. China
Tel. 011-86-13864815100