



2018 Tax Reform

What you and your employees need to know

The President signed H.R. 1, also known as the Tax Cuts and Jobs Act, into law after the U.S. House of Representatives and Senate approved the final version of the bill in December 2017. As the global mobility community assesses the effects the bill will have on our industry, companies are also evaluating the impact on their organizations, budgets and strategies. Suddath® has developed this reference tool to help guide our clients and partners along the way.

Category	2017			2018			Impact
Moving expenses Includes: • Household goods • Auto moves • Storage • Final move expenses	Deductible			Non-deductible			All moving expenses, whether previously incurred as a deductible 'above the line' personal expense or a company-paid excludable benefit, are now considered to be non-deductible or taxable, respectively. Clients will want to readdress gross-up policy to decide whether to tax assist moving expenses.
Tax brackets		Single Filers	Married Joint		Single Filers	Married Joint	"The tax rates are generally lowered substantially in the new law, and the brackets associated with them mean that many transferees will be taxed at a lower marginal rate. However, with the loss of the moving expense and some other deductions, some will in fact owe higher taxes. Companies will need to manage their gross-up programs to take account of both higher and lower gross-ups." Src: Worldwide ERC Dec. 2017
	10%	Up to \$9,525	Up to \$18,650	10%	Up to \$9,525	Up to \$19,050	
	15%	Up to \$37,950	Up to \$75,900	12%	Up to \$38,700	Up to \$77,400	
	25%	Up to \$91,900	Up to \$153,100	22%	Up to \$82,500	Up to \$165,000	
	28%	Up to \$191,650	Up to \$233,350	24%	Up to \$157,500	Up to \$315,000	
	33%	Up to \$416,700	Up to \$416,700	32%	Up to \$200,000	Up to \$400,000	
	35%	Up to \$418,400	Up to \$470,700	35%	Up to \$500,000	Up to \$600,000	
	39.6%	Over \$418,400	Over \$470,700	37%	Over \$500,001	Over \$600,001	
Supplemental rate	25%			22%			Potential increase in number of transferees under grossed up: • Need year-end true-up, or • Use the transferee's estimated marginal rate throughout the year, plus possible year-end true-up

2018 Tax Reform: What you and your employees need to know

Category	2017	2018	Impact								
Standard deduction	<table border="1"> <tr> <td>Single Filers</td> <td>Married Joint</td> </tr> <tr> <td>\$6,350</td> <td>\$12,700</td> </tr> </table>	Single Filers	Married Joint	\$6,350	\$12,700	<table border="1"> <tr> <td>Single Filers</td> <td>Married Joint</td> </tr> <tr> <td>\$12,000</td> <td>\$24,000</td> </tr> </table>	Single Filers	Married Joint	\$12,000	\$24,000	<ul style="list-style-type: none"> • Almost doubles for both single and married/joint. As a result, it is believed that less people will itemize. • Not clear what result will be for average transferee • Large families disadvantaged, but helped by increased child tax credit • Overall deduction limit eliminated
Single Filers	Married Joint										
\$6,350	\$12,700										
Single Filers	Married Joint										
\$12,000	\$24,000										
Alternative minimum tax <i>Under the tax law, certain tax benefits can significantly reduce a taxpayer's regular tax amount. The alternative minimum tax (AMT) applies to taxpayers with high economic income by setting a limit on those benefits. It helps to ensure all taxpayers pay at least a minimum amount of tax.</i>	<table border="1"> <tr> <td>Single Filers</td> <td>Married Joint</td> </tr> <tr> <td>\$54,300</td> <td>\$84,500</td> </tr> </table>	Single Filers	Married Joint	\$54,300	\$84,500	<table border="1"> <tr> <td>Single Filers</td> <td>Married Joint</td> </tr> <tr> <td>\$70,300</td> <td>\$109,400</td> </tr> </table>	Single Filers	Married Joint	\$70,300	\$109,400	Most transferees will want to consult a tax advisor to assist with the AMT changes
Single Filers	Married Joint										
\$54,300	\$84,500										
Single Filers	Married Joint										
\$70,300	\$109,400										
Personal exemption	\$4,050	No personal exemption	With the doubling of the standard deduction, the personal exemption has been eliminated. For some, this elimination may reduce the tax relief felt in other parts of the reform.								
State and local income tax, property taxes and sales tax	<ul style="list-style-type: none"> • State and local income tax fully deductible • Sales tax deductible in lieu of income tax • State, local and foreign property taxes on real property deductible • Deduction for foreign income tax allowed in lieu of foreign tax credit • State and local property tax on other property deductible <small>Src: Worldwide ERC Jan. 2018</small>	<ul style="list-style-type: none"> • Combined state and local income tax, sales tax and real estate property tax now limited to a \$10,000 maximum deduction • No deduction for foreign property tax 	Will hurt transferees in high-tax jurisdictions such as NY and CA; could lead to resistance to relocate to these areas								
Mortgage interest deduction on primary and second homes	<ul style="list-style-type: none"> • Deductible up to \$1,000,000 of combined first mortgage debt • Home equity interest deductible on up to \$100,000 	Deductible up to \$750,000 of combined first mortgage debt on primary and second homes	<ul style="list-style-type: none"> • No home equity interest deductible • Debt incurred prior to December 15, 2017 will be grandfathered providing the contract to close was signed prior to 2018 and closing will take place before April 1, 2018 • Decisions on treatment of duplicate housing and mortgage subsidies will be necessary 								
Child tax credit	\$1,000 per child under age 17; non-refundable	\$2,000 per child under age 17; refundable up to \$1,400 **Child Social Security Number REQUIRED**	<ul style="list-style-type: none"> • This is an important increase, as it can offset the loss of exemptions for larger families. • "The requirement to provide a SSN may limit the overall benefit of the credit to assignees working temporarily in the US, whose children are often not eligible for a SSN." <small>Src: Deloitte, US Tax Reform Dec. 2017</small>								

2018 Tax Reform: What you and your employees need to know

Category	2017		2018		Impact
Child tax credit phase out	Single Filers \$75,000	Married Joint \$110,000	Single Filers \$200,000	Married Joint \$400,000	The increase allows for more families to receive the credit
Deductible medical expenses	Out-of-pocket more than 10% of adjusted gross income is deductible		Out-of-pocket more than 7.5% of adjusted gross income is deductible; only for 2017-2018		Sunsets in 2019 but allows for retroactive claiming against 2017 taxes
Individual health insurance mandate	Penalty for not having health insurance		No penalty for not having health insurance starting in 2019		As of 2019, American citizens are no longer required to maintain health insurance
Corporate tax	35%		21%		Reduced corporate tax liability will allow for budget allocation changes

Items remaining unchanged

Home sale capital gains exclusion	2 out of 5 years	Remains	If owned and lived in primary residence for 2 out of 5 years prior to sale, exclude \$250,000 (single)/\$500,000 (married) of the gain
Home sale programs	<ul style="list-style-type: none"> Revenue rulings state no income to employee from costs incurred in properly structured home sale program Remains a business expense with no reporting or tax impact as long as two bona fide transactions occur. Purchase from employee independent from sale to outside buyer. 	Remains	Properly designed and administered home sale programs will continue to be nontaxable to transferees

Interested in learning more?

If you would like to learn more about the impacts of the new tax reform bill on global mobility, contact Teela Gleason, Senior Vice President of Client Services at +1.904.306.1944.