TAXES

Fixing a Flawed Tax Policy

Rethinking Employee Relocation Costs

The employee relocation industry is facing some serious headwinds, and the effects go far beyond just our sector.

To help companies attract the talent they need, where they need it, we need the support of policymakers, especially the Employee Relocation Council (ERC). But here's the truth: **the changes we're advocating for don't just benefit our industry—they're a win for U.S. businesses, the broader economy, and even the federal government.**

At the center of the issue is a simple idea: Employee relocation costs, when paid or reimbursed by an employer, should be treated as business expenses and not as taxable income for the employee.

MOVING FOR WORK IS A BUSINESS NECESSITY

For any company to thrive, it needs to get the right people in the right places. That often means hiring outside of existing office locations and that usually involves relocating someone.

Whether you're a fast-growing startup or a global corporation, relocation is part of doing business. It helps companies stay competitive, ensures smooth operations, and gives individuals the opportunity to grow their careers. When it's done well, **everyone benefits**.

So why are we taxing it like a perk?

RELOCATION ISN'T A PERK – IT'S BUSINESS

Right now, when an employer covers the cost of moving an employee, that amount is taxed as if it were regular income. That means the employee ends up with **less than the full value of the benefit** unless the company "grosses up" the payment to cover the taxes.

This creates TWO other problems

1

It's more expensive for the employer.

2

It reduces overall tax revenue for the government.

That's because companies deduct those additional expenses, which lowers their taxable income. Plus, **the corporate tax rate (21%) is higher than the average individual income rate (14.5%)**. If relocation were treated like any other business expense— like travel or conferences— companies wouldn't need to gross up their employees' relocation expenses, they'd report more taxable income, and **the government would collect an average of 6.5% more in taxes** as corporations pay, on average, a higher tax rate than individuals.

Every stakeholder in this scenario wins.

MOBILITY FUELS THE ECONOMY

There's another ripple effect that's easy to overlook:

When people move, they spend.

A relocated employee might need a new car, furniture, home renovations, school supplies, or even just more takeout in the first few weeks. **All of this drives economic activity.**

And in today's tight housing market, increased mobility also helps unlock inventory. Many homeowners are reluctant to sell because they're locked into ultra-low mortgage rates. Relocation can help get homes moving again, **which benefits everyone from first-time buyers to downsizers.**

Today, most home sale costs are treated as business expenses and not taxed as personal income. Why are relocation cost categories treated differently in our tax code?

IT MAKES NO SENSE.

WHAT SHOULD COUNT AS A BUSINESS EXPENSE?

We're not saying every moving-related dollar should be exempt from tax. But there's a core set of services and expenses that are **clearly** tied to the business need to relocate an employee. These should be treated like any other business expense, not as taxable income.

Here's what we believe should be in each move...

For U.S. and International Moves:

1. One house-hunting trip for the family (up to 5 days)
2. Area orientation services
3. Home sale closing costs (non-recurring only)
4. New home purchase costs (inspections, appraisals, non-recurring closing costs)
5. Lease cancellation fees
6. Rental search assistance
7. Household goods move (up to 12,000 lbs., including self-move)
8. Auto shipping (up to 2 vehicles)
9. Final trip to the new location (flight or drive)
10. Duplicate housing costs (up to 3 months)
11. Temporary living expense (up to 60 days)

For Global Assignments:

1. Cultural orientation services
2. Language training
3. Maintenance of a U.S. primary residence

We've intentionally left off payments like lump sums, miscellaneous allowances, and home sale loss reimbursements, since they're harder to monitor and often used for non-relocation purposes. Those should remain taxable.

LET'S MODERNIZE THE TAX CODE

Relocation is a business function— plain and simple. It should be treated as such in our tax system. Making this change won't just help companies and employees.

It will...

- **Generate economic activity**
- **Increase tax revenue**
- **Support a more mobile, dynamic workforce**

It's time to stop treating employee relocation like a luxury and start treating it like the business necessity it truly is.

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