



RELOCATION ADVISORY

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The Effect of the Economic Stimulus Act of 2008 on US Relocating Employees

On Wednesday, February 13, 2008, in an effort to boost the sluggish US economy, President Bush signed into legislation the Economic Stimulus Act of 2008. The bill provides tax relief in the form of an advance, based on a 2008 tax cut, as well as short-term tax incentives for businesses. Payments starting in May 2008 will range between \$300 and \$1,200, with an additional \$300 per child, depending on family size and income. This payment is non-taxable and will not be added into earnings.

The following provides an overview of the criteria to establish the amount paid according to the manner in which the Economic Stimulus Act is written:

- Individual tax payers earning a minimum income of \$3,000, but not exceeding \$75,000 in 2007, and those who do not currently owe taxes, stand to receive between \$300 and \$600.
- Couples with combined incomes of up to \$150,000 who do not have a 2007 tax obligation may be receiving up to \$1,200 in the form of a rebate.
- Individuals making more that \$75,000 and couples with wages above \$150,000 will receive smaller rebates; approximately \$50 less per \$1,000 over the set limits.

With the average cost to move an employee ranging between \$18,365 for a renter and \$62,185 for a homeowner, according to Worldwide ERC's® 2007 Transfer Volume and Cost Survey, relocating employees may find their taxable income increasing due to move related costs. This elevation in their W-2 earnings may place employees over the standard caps set in place by the Economic Stimulus Act resulting in a decrease in their federal rebate. As a result, employers may be asked by their relocating employee population for a stipend to offset the reduction or loss incurred as a result of their relocation related income.

Although relocated employees may initially believe that the additional taxable income generated through their relocation may have detrimentally impacted their eligibility to participate in the stimulus legislation passed by Congress, Paragon's current research proves this assumption to be incorrect. As previously noted, the stimulus package provides payment in the form of an advance on a 2008 tax cut. "Most people will get a payment this year. But if you don't qualify for the full amount or you don't qualify at all, you get a second shot based on your 2008 return," according to Erica Smith, an IRS spokesperson.

In rare cases, a transferring employee may truly be adversely impacted by the additional taxable income generated by their relocation and the provisions of the stimulus package. In such cases, if the employee's tax advisor confirms a negative impact to the employee as a result of relocation related income, the client may consider a review of the financial consequences to the employee and opt to provide some form of assistance.