Hello and welcome to KPMG’s Mobility Matters Express. Included in the recently released Biden administration budget are several proposals designed to simplify the foreign exchange rate gain and loss rules for individuals. These proposals would be a welcome modernization of some very complex rules that oftentimes catch international assignees and their employers unaware. One proposal would allow individuals to use an average annual exchange rate to report wages received in a foreign currency rather than using the spot rate. Another proposal would increase the tax-free exemption for foreign currency gains on personal transactions from $200 to $500 per transaction. Lastly, and very impactful as it is significant taxpayer friendly proposal is individuals would be allowed to offset the gain on the sale of a foreign personal residence with losses realized on the repayment of a foreign currency denominated mortgage. Currently foreign currency losses on repayment of a foreign mortgage are not deductible even if the individual realizes a taxable gain on the sale of the residence, so again this would be a very welcome improvement.

The takeaway? Ultimately, it rests with U.S. Congress to pass legislation implementing any of these recommendations. However, these changes could simplify reporting and result in reduced US tax costs, and hence reduced tax equalization and overall assignment costs. Definitely something we will want to keep an eye on. That’s it for this segment and, as always, thanks for listening in.