

Hello - I'm Martha Klasing from KPMG's Washington National Tax practice and welcome to Mobility Matters Express.

The IRS recently issued a Chief Counsel Advice Memorandum that is directly on point with respect to tax-equalized assignees and the related income taxes paid by the employer as part of the tax equalization program. The CCA basically reiterates what we already know and confirms how most organizations approach the payroll withholding and reporting for tax equalized assignees. In a nutshell, reportable wages are reduced by the amount of hypothetical tax withheld by the employer. Any actual taxes paid by the employer on behalf of the employee directly to the government as withholding represent taxable wages and should be grossed up for taxes. One point the CCA underscores is the general rule that adjustments or corrections to the amount of taxes paid can only be done within the same calendar year, except in very limited circumstance. The takeaway - which has always been a best practice - is to calculate hypothetical tax withholding as accurately as possible and make any adjustments needed to actual taxes paid into the US government before the calendar year closes. Thanks for joining this segment of Mobility Matters Express!