



HOW HAS THE TAX CUTS AND JOBS ACT IMPACTED COST-OF-LIVING AND LUMP SUM ALLOWANCE REPORTS?

Cost of Living

Every cost-of-living report reflects minor impacts from the tax reform such as updated federal tax rates and changes such as child credits and standard deductions. Most individuals will have a lower federal tax amount on both the pre-move and post-move, but the net effect on the report total will be small, particularly for renter reports. **However two of the changes can have a significant impact in the cost-of-living differential depending on the location:**

State and Local Tax Deduction Cap



Locations where the property, state, and local taxes equal over

\$10,000

will see an impact

Change in Total Amount of Debt Eligible for Mortgage Interest Deduction



Mortgage debt above

\$750,000

will see an impact

Reports with expensive homes in high tax states will see the largest impact with an increase in federal taxes due. The more expensive the home and the higher the state taxes, the more likely the report will be impacted.

Lump Sum Allowance

Certain final move expenses could previously be deducted by the individual. As a result, about half of companies collected receipts and did not provide gross-up for these expenses. All expenses are now taxable and numerous companies that collected receipts are switching to providing an allowance.

Household goods expenses, if paid directly by the company, were not considered taxable income. This is also taxable income to the employee, which significantly increases gross-up expenses for their employers. As a result, many companies are starting to consider providing this benefit as a part of a lump sum allowance. **All of these expenses, if paid direct by the company are considered taxable income to the employee:**

Final Move



Airfare or Vehicle Mileage



Meals



Lodging



Miscellaneous (Daily Tolls, Parking, etc.)

Household Goods



Transportation



Fuel Surcharges



Insurance



Origin & Destination Charges



Cost of Full Valuation Protection