The CARES Act and Mobility

When the $2 billion Coronavirus Aid, Relief and Economic Security Act (CARES) went into effect, many U.S. tax filers became eligible for relief in the form of an economic impact payment (i.e., stimulus payment). Tax filers with adjusted gross income (AGI) up to $75,000 for individuals and up to $150,000 for married couples filing jointly are likely to receive the full payment of $1,200 per adult, with an additional $500 for every child under 17. For filers with income above these amounts, the payment amount is reduced. Single filers with income exceeding $99,000 and joint filers with no children and income exceeding $198,000 are not eligible. The AGI is based on federal tax returns filed for 2019, or, if 2019 returns have not been filed, 2018 returns.

For transferees who may have moved during the period from 2018 to 2020, the situation can be a little more complex. When employees relocate, their AGI is much higher due to the fact that, under the Tax Cuts and Jobs Act of 2017, employer-paid relocation expenses are considered taxable income to the employee. As an example, an employee (single, no children) who moved in 2019 with $75,000 income and $35,000 in relocation benefits would have an AGI of $110,000. In this particular situation, the addition of relocation benefits to the employee's income would make him or her ineligible for the $1,200 stimulus payment.

Does that mean employers should make transferees whole by paying them an amount equal to the stimulus payment they would have received, had they not moved in 2019? No, not necessarily.

The CARES Act includes provisions that alleviate the impact of conditions like relocation benefits. The stimulus payment is actually an advance of a credit against taxes owed for 2020. Instead of taking the credits when 2020 returns are filed, the government is allowing taxpayers to realize that benefit now, in the form of an advanced refund payment. Transferees who receive no stimulus payment in 2020 because relocation benefits were added to their 2018 or 2019 income (whichever year was used to determine their advanced payment) will be eligible to receive the amount in 2021 as a credit against 2020 tax, so long as their income is below the qualifying thresholds stated earlier.

This may seem confusing and arbitrary, and is sure to pose a challenge for human resource departments in 2020 and 2021. We can help.

Our team is available to provide general guidance and share best practices with you and your employees as you navigate these complex issues. Please contact us at relo@invan.com or 800-999-1001 to schedule your free consultation.

This information may not apply to every tax situation and is not intended as specific legal or tax advice. Refer to U.S. Internal Revenue Service publications for more details and consult with your tax and legal team for information about different tax situations or for assistance with tax preparation and filing questions.