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Post-Tax Season Checklist

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Now that the tax busy season is over, take time for yourself to relax, begin your spring-cleaning, and review this past tax season with a post-tax season checklist. Taking time now to review this past tax season for your company's mobility program will allow you and your tax provider to be better prepared for a smoother tax season next year. Identified below are a number of areas we recommend for a post-tax season review, as well as tips for a successful and rewarding post-tax season.

Post-tax busy season review meeting

Set up a meeting with your tax provider to discuss how busy season went, discuss any problems that arose, and next steps to keep things moving during the summer months. Agree on responsibilities, timelines, and best practices for implementation.

In this review meeting, make sure you discuss the latest tax reform changes. In late 2017, Congress passed the largest piece of tax reform legislation in more than three decades. The tax reform changes went into effect on January 1, 2018. Since the 2018 tax year is the first to be impacted by the tax reform, it is time to review your tax equalization policy, calculate hypothetical tax withholding for 2019 tax rates, and identify reasons to mitigate large tax equalization settlements stemming from the recent changes.

Draft next year's authorization list

Why not start now? You can start with your current authorization list, identify mobile employees who no longer need to be on the list, and continue to add new mobile employees as the year progresses. By the end of the year, you should only need to complete a quick review of the authorization list.

Identify delinquent taxpayers and follow-up with them

In the "post-tax busy season review meeting," you and your tax provider should discuss any mobile employees that are behind in their tax return filing requirements. Now is a good time to follow up with those individuals. The sooner you reach out to them, the sooner they will get on board. Don't let non-compliers drift, as they may cause big headaches down the road.

Identify taxpayers who may need long-term extensions

Many US taxpayers living overseas need to file extensions to file their tax returns. There are a number of reasons for these extensions, ranging from foreign tax information not being readily available to needing sufficient time outside of the US to qualify for certain tax return elections (e.g., having your tax home outside the US for a full calendar year to qualify for the foreign earned income exclusion under bona fide residency test).

Know who these mobile employees are and why their returns are extended. Also, make sure these individuals have received necessary communications so the right expectations are set.

Review and adjust compensation reporting
Did you have a proper year-end compensation review process in place, or were you scrambling around trying to resolve W-2 corrections? Identify what went well in your compensation reporting process and what can be improved. Making the necessary adjustments to your processes will enable you to get your compensation reporting under control for the next filing season.

You may want to pay closer attention to bonus payments paid to your mobile employees who are in their first or last year of assignment. Bonus payments may create balances due if the necessary withholdings aren't taken in the right tax jurisdiction. Also, make sure repatriated assignees are completing W-4s correctly to implement actual tax withholdings.

Review your accrual process
Did your mobile employees have balances due on tax returns or tax equalization settlements that were more than expected? If you are experiencing these types of surprises, it may be time to revisit your budgeting and tax accrual process. Questions to consider include:

- Are you working with your tax provider to complete tax cost projections at the beginning of an assignment and are you using this information to set up budgets and tax accruals?
- Do you update the accruals based on actual results and are these updates completed on a regular basis?
- Are appropriate compensation and assignment allowance considerations being included in the tax cost estimates? For example, are you including anticipated bonus, equity, or deferred compensation in the projection? These amounts can be significant and can easily "break the budget" if not accounted for in an appropriate and timely manner.

Review the balance due payment process
Did you receive payment requests on time from your tax provider? Did you have enough time to make these payments?

Make sure the processes and timelines that you had previously set with your vendors are manageable. If they are not, make the necessary adjustments for next year, while the experience is still fresh in your memory.

Track tax reimbursement collections
Make sure to track your receivables from tax reimbursement calculations. Also, remember that any payments due back to the company may result in potential "claim of right" on the following year's tax return, which could be an additional tax savings to the company.

Create a process for foreign tax credits
To address the possibility of double taxation, the US will allow a foreign tax credit to offset US tax on income that is earned outside the US. The US will only allow a credit, however, up to the amount of US tax on the "foreign source" income. If the employee works in a location with a higher tax rate than the US, this may mean that all of the foreign tax paid is not able to be used as a credit on the employee's current US federal tax return.

The good news is that this excess tax can be carried either back one year or forward ten years to offset the US tax on similar foreign source income. For that reason, it is often beneficial to keep tax equalized employees on the tax authorization list if they have foreign tax credit carryovers and may still have foreign source income (i.e., they have received bonus or equity income that was all or partially earned while working outside the US or they continue to have business trips outside the US).

These rules can be complicated, but your tax provider can assist you in tracking the excess credits and in determining if there may be a benefit to ongoing tax preparation services to recover the credits.

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Taking time now to identify what went well and what didn't will help you as you look to next year's process. Have a discussion with your tax provider and express your needs. Let them know what could help you for the year ahead. Put the effort in now and next year's “busy season” might not be so busy.

Download our checklist today to get a jump-start on next year’s tax season.

Visit https://info.gtn.com/post-tax-season-checklist.

We’re here to help. If you have questions regarding this, please contact me at razad@gtn.com or +1.763.746.4557, or visit our Mobility Tax Services page to see what assistance we can provide.

The information provided in this newsletter is for general guidance only and should not be utilized in lieu of obtaining professional tax and/or legal advice.

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Raj joined GTN in 2004 and currently serves as Director in GTN’s West Central region. Raj has over 20 years of experience in expatriate tax. In addition to consulting with companies on their mobility tax questions, he partners with his clients to find the right solutions and to define the proper policies that work best for them and their mobile employees.