

Impact of Tax Reform on Compensation Structures and Popular Fringe Benefits

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US tax reform is changing the game with respect to many of the popular benefits employers have traditionally provided to their employees. These new rules have produced a great deal of questions. However, while the Internal Revenue Service (IRS) is formulating guidance, employers are left to navigate these changes on their own in order to determine the impact on both themselves and their employees. Employers are also reevaluating their benefit offerings in light of the new rules. These issues and more were addressed during Our 2018 Tax Symposium on April 24, 2018.

Our panel left the audience with these core takeaways:

1. Due to the suspension of their employees' ability to take many itemized deductions, employers should consider the feasibility of restructuring their compensation arrangements to save income taxes and FICA taxes.
2. Certain employers that are public employers, private employers with public debt or non-U.S. employers with ADRs traded on a U.S. market should evaluate their executive pay arrangements to determine whether the grandfathering rules under section 162(m) apply to any compensation and further ensure compliance with the new rules under section 162(m).
3. Employers should consider whether they will continue to provide popular benefits such as qualified transportation fringes and employer-provided meals. If employers choose to continue to provide these benefits, they will need to confirm that their systems are updated to reflect the changes in deductibility.
4. Employers should begin using the updated Form W-4, if they are not already.
5. Employers should encourage their employees to utilize the IRS' updated withholding calculator to verify that the proper tax amounts are being withheld.

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