



Tax in the City[®]
A Women's Tax Roundtable

Tax Reform Changes to Employee Compensation and Benefit Deductions

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Qualified Transportation Benefits



- Includes transit pass, qualified parking, van pooling, or bicycle commuting
- Prior law – employer deduction for both
 - Employer subsidy (all four)
 - Employee pre-tax payment (except bicycle)
- Tax Reform eliminated the *employer* deduction
 - Employers cannot deduct either transportation subsidies or employee pre-tax payments (except bicycle)
 - Employees can still receive tax-free transportation benefits (except bicycle)



Meal and Entertainment Expenses*

**Subject to interpretation by Internal Revenue Service*



	2017 Expenses (Old Rules)	2018 Expenses (Tax Reform)
Office Parties or Summer Picnic	100% deductible	100% deductible
Entertaining Clients	Event tickets, 50% deductible for face value of ticket; anything above face value is non-deductible	Entertainment - no expense deduction
	Tickets to qualified charitable events are 100% deductible	
Employee Travel and Client Business Meals	50% deductible	50% deductible
Meals Provided for Convenience of Employer	100% deductible provided they are excludible from employees' gross income as de minimis fringe benefits; otherwise, 50% deductible	50% deductible (nondeductible after 2025)



Moving Expenses



- **Prior law**
 - Employee can deduct moving costs for family and household goods if certain criteria met
 - Employer can deduct employee reimbursement of above expenses
- **Tax Reform – both employer or employee *cannot* deduct moving expenses through 2025 (except military)**



\$1M Compensation Limit – Tax Reform



- Eliminates performance-based compensation exception
- CFOs now are covered employees
- CEO, CFO, and three Named Executive Officers (NEOs) in 2017 or later years never lose covered status
- Includes U.S. public companies, private companies with U.S. publicly traded debt, and foreign issuers with ADRs traded on U.S. market



Transitional “Grandfather Rule”



- Applies to “written binding contracts” in effect by November 2, 2017, the “Grandfather Date”
- Lose relief if a “material modification” occurs on or after the Grandfather Date
- Key terms not defined
- Issue whether or how Grandfather Rule applies if:
 - Employer can reduce or eliminate compensation award
 - Employer has discretion to renew or extend agreement
 - More than one employer in controlled group issues debt



Millions in Deductions at Stake!



- Incentive programs and performance-based equity awards
- Fair market based options and stock appreciation rights
- Supplemental defined benefit or supplemental defined contribution plans
- **BOTTOM LINE** – reported compensation paid before or after employment can be included *unless* exempt under Grandfather Rule

