

# Navigating today's work-from-anywhere world

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*Summary of U.S. Bank Corporate Programs virtual client forum on how companies are adjusting to the suddenly remote work environment and the potential tax implications*

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October 13, 2020



The U.S. Bank Corporate Programs team continued its series of virtual advisory forums with a session on October 13, 2020. The session covered the topic of navigating today's work-from-anywhere environment, a popularly requested topic on our recent corporate survey. Key points included how you can build effective remote teams, sustain a strong corporate culture with your remote employees, and manage the potential impact of remote work on employee income taxes.

The session kicked off with Michelle Labbe, Chief People Officer at Toptal, the largest fully remote global company, providing best practices on building and sustaining a strong remote team and creating a values-based culture. Next, David Oltman, SCRIP®, Chief Compliance Officer at Ineo, LLC and Ineo Global Mobility Tax Services, discussed how remote work can impact employee income taxes based on various state tax systems, and how you can help keep both your employees and your organization tax compliant.

### Upcoming work-from-home outlook

We began the session by polling attendees on the percentage of their employees that are asking to return to the office full time. Employers seem to be indicating that their employees are not ready to return to the office just yet. Of poll respondents, a total of 74% said fewer than 25% of their employees are asking to go back to the office full time. We also asked what percentage of their employees are expected to remain work-from-home after COVID-19, and 53% indicated that up to one-quarter of their workforce would remain remote.

#### Poll: Are your employees asking to return to the office full time?



**74%** said that less than one-quarter are asking to return to the office full time

#### Poll: What percentage of your workforce will remain work-from-home after COVID-19?



**53%** said up to one-quarter would remain work-from-home after COVID-19

### People, culture and productivity

Labbe started the session by pointing out that Toptal has been a fully remote company before and during the COVID-19 pandemic, and will continue to be in the future. The best practices developed by Toptal<sup>1</sup> provide insights for companies that may be struggling with their remote workforce, or are looking to improve their current model. Labbe touches on three major areas that are already happening in every company in a non-remote workforce, but need special attention in today's increasingly remote world:

- People – building and sustaining a strong remote team

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*"You have to over communicate when you are remote. You have to go the extra mile."*

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- Culture – creating a values-based culture
- Productivity – promoting effective remote work

### **People: building and sustaining a strong remote team**

The stages of the employee lifecycle – recruitment, onboarding, learning and development, performance management, and career development – are already happening in some form within all companies. But how do you replicate, and even improve, those steps in a fully remote model to build and sustain a strong team?

Labbe presented many best practices for managing the remote employee lifecycle. Following we have included some examples, but you can visit Toptal's guide "The Suddenly Remote Playbook" for further details.

#### *Best practices: people*

##### *Recruitment*

- Full transparency on your career page – make sure to have detailed job descriptions on your career page, including who the employee will work with and expectations at different points in time

##### *Onboarding*

- Frequent new hire start date groups – create a sense of community with new employees and assign a buddy for each employee to be their resource for questions

##### *Learning and development*

- New manager training – teach your managers the tools, processes and skills to be an effective leader and resource for their employees, with a focus on the unique aspects of being a remote leader

##### *Performance management*

- Self-assessment, peer and manager reviews – ensure your entire review process is transparent and open so that everyone has input

##### *Career development*

- Career mapping – provide clear roadmaps for every function in the company, including career advancement and promotion

### **Culture: creating a values-based culture in a remote world**

It is easy to see how important a strong corporate culture is to creating strong connections among employees. Labbe discussed why culture matters even more for remote work when you do not have that in-person element to ensure connection.

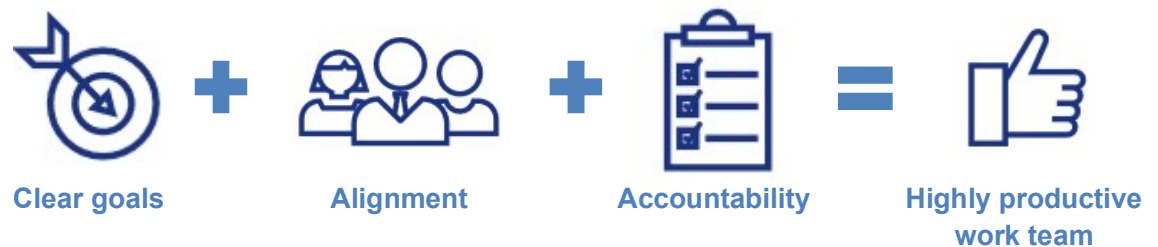
Labbe points out a very important thing that happens in a fully remote company is collaboration. This is where the importance of everyone being on board with your culture comes in. People are all working together and everyone is in the same situation and driving toward a common goal. It is not as if certain people are missing out because they are remote and others are in the office. This is a great lesson even for companies that are not fully remote or may move to a blended model in the future.

*Best practices: engagement and culture*

- Pulse surveys – conduct pulse surveys on a consistent schedule to find out how people are doing, follow up on any red flags and encourage full transparency and openness
- All-company meetings – hold monthly all-company meetings to discuss financials, new products or client engagements, and other interesting topics
- Rewards and recognition – have a public rewards and recognition program and “shout outs”
- Team meetings and regular one-on-ones – outside of pulse surveys and all-company meetings, schedule regular team meetings and one-on-one meetings with employees to check in on them
- Culture committee – form a culture committee with cultural ambassadors from every team and intranet channels for different interests, team challenges, trivia, etc.

**Productivity: the path to effective remote work**

Labbe described the elements, proven based on Toptal's experience, that make up a highly effective remote work team: clear goals, strong alignment and proper accountability.



*Best practices: productivity in remote work*

- Maintain a healthy work-life balance – people will work longer hours in a remote work situation, so encourage them to take breaks, stretch, exercise, etc.
- Hold meetings that matter – make sure that meetings have a purpose and don't "over meet"
- Trust your remote workers – instill transparency and accountability
- Support – provide your workers with tips on creating a comfortable and efficient workspace and coaching on how to use tools and technology to maximum efficiency and professionalism

**Policies and processes for remote work**

After Labbe's presentation on effective strategies, we polled attendees to find out how their companies were managing remote work. Nearly half of the respondents (48%) indicated that they already had a remote working policy in place before the COVID-19 pandemic, and another 18% are currently developing a policy.

**Poll: Does your company have a policy in place for working remotely?**



48%

Yes, established  
pre-COVID-19



18%

Developing a  
policy now



12%

Policy on the radar  
but not in the works

**Impact of remote work on employee income taxes**

Oltman, Chief Compliance Officer at Ineo Global Mobility Services and a leading relocation industry tax resource, provided highlights of how remote work may impact employee income taxes, whether or not the employee is physically moving. It is worth noting that tax treatment is important and that the corporation, as well as the employee, can be liable if payroll taxes are not handled properly. Be sure to speak with your tax advisor to ensure tax compliance for your organization and your employees.

Oltman referenced sections of Ineo's new "2021 Mobility Tax Advisor for Tax Year 2020" published by Ineo Global Mobility Tax Services<sup>2</sup> on topics including taxable moving expenses, mortgage deduction limitations and supplemental withholding. Be sure to refer to the Ineo Tax Book for further information on these topics and much more.

### Mobility tax impacts of COVID-19

As far as the current tax code is concerned, the nice thing is that employees are always taxed in the state where the employees live and, generally speaking, taxed in the state where the employee worked. As of today, virtual presence is not taxable.

*"At this time, only actual presence, not virtual presence, is taxable."*

However, during the COVID-19 pandemic, many people moved to live with friends or family in another state where the company does not have an office. The employee must file a tax return in the state where they lived and worked for that portion of the year in order to be tax compliant. This can be very complicated in certain situations; therefore, it is very important for the employee to seek tax advice to ensure compliance.

### Domestic temporary assignments

Along these same lines, there are tax impacts to employees that go on a domestic temporary assignment in the U.S. The expenses associated with that assignment, for instance, food, hotel stay, car rental, and airfare are not taxable. However, the employee's salary is taxable in that state. If the assignment is in a state that has a higher tax rate than the employee's home state, they may end up paying significantly more in taxes.

When we polled attendees asking if their companies adjust compensation, the majority of respondents (58%) indicated that they were not adjusting their compensation based on location, stipend or reimbursement on expenses. Another 21% indicated that they are adjusting compensation on a case-by-case basis.

#### Poll: Does your company adjust compensation depending on location, stipends or reimbursement on expenses?



58% do not adjust compensation



21% adjust on a case-by-case basis

It is important that your organization communicates with the employee to acknowledge that they may have an additional tax burden and to decide in your mobility policy if the company is going to pay the additional tax for the employee.

**Note:** There are states that have reciprocal tax agreements with other states. This means that the employee is only taxed in the state where they live, but it has to be a state that has a reciprocal agreement, so you need to do your research and consult with your tax advisor.

### Disaster relief payments

As an organization, if you can prove that an expense was the result of COVID-19, it can be treated as a business expense and does not have to be grossed-up and will

not show up on the employee's W-2. It's important to ensure that your organization's expenses are reviewed closely concerning relocation accounting and tax code. Examples of possible eligible expenses could include child care, additional temporary living, transporting students back from college, additional food, etc.

### **Best practice: employee pre-move tax briefings**

Because of the COVID-19 pandemic, one of the most common new benefits companies are providing is Pre-Move or Pre-Assignment Tax Briefings. It is an emerging best practice, or **next practice**, that companies provide an hour or two of pre-move or pre-assignment tax consultation to employees.

This tax briefing serves two purposes:

- Keeps employees aware of their tax liability in compliance with state tax laws
- Helps your company better understand what it needs to do to keep your employees tax protected, and promotes better communication and transparency

While many employees have been working from home for years, the COVID-19 pandemic has thrust this way of life into the spotlight. Mobility specialists can take the best practices shared today to ensure their employees are maximizing this new work arrangement. To hear more details from our presenters, please view the [recording of this webinar](#) online. In addition to this summary, webinar attendees should have received e-book resources from Labbe and Oltman. If you did not receive these resources, please reach out to your Corporate Programs contact.

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### Additional Resources:

<sup>1</sup>"The Suddenly Remote Playbook" from Toptal

<sup>2</sup>"2021 Edition Mobility Tax Advisor for Tax Year 2020" published by Ineo Global Mobility Tax Services