

# PEOPLE MOBILITY

## Lunch & Learn

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The People Mobility Alliance hosted another **Lunch & Learn** session with experts who shared their insights on immigration, taxation and relocation challenges faced by both European companies and individuals expanding into the USA.



David Livitt  
Global Tax Practice Leader  
GTN



Lynn Carbo  
Tax Director  
GTN



Thomas Szoeki  
Director US Operations  
Noah Mobility



James Hollis  
Attorney  
Visalaw

### #EuropeGoesUSA

Many European corporations have made the decision over the past few years to strategically grow their operations in the USA. While this provides a lot of attractive prospects, it also comes with wide-ranging implications and responsibilities. Most importantly, it requires careful planning.

### Main Findings

-  Relocation Tech Providers are vital to the transfer experience for international employees in the US.
-  60% of early stopped assignments happen within the first year because the family or spouse do not receive the support they require.
-  The biggest hurdle when relocating a family is the school search for children, due to the huge difference between US and European education systems.
-  A big challenge facing international employees relocating to the US is understanding the immigration and tax system since it is very complex and outdated.

## Immigration Focus

The US immigration system is very complicated and antiquated and one of the biggest challenges immigrants face when moving to the USA is the lack of technology-based solutions currently available.

From a family perspective, it can often be that the employee's needs are well covered by the employer but the family's needs are often left out or forgotten. Searching for a home and school is one of the most difficult and often underestimated struggles for families moving to any new country, but particularly the US. There is a huge difference between the European and US education systems, and Education Consulting is highly suggested and sometimes required for immigrants/expats from the start of their journeys. This is to ensure their children find places in appropriate schools.

Relocation tech providers can help people right from the start, meaning before they even arrive in the US. They are important to the overall positive transfer experience of immigrants, especially in the US where the systems are clunky and complicated.

The role of a relocation tech provider is to make the experience turnkey. They should be acting as the middle man and connecting their clients to the correct tax & immigration service providers locally.

## Taxation Focus

Tax authorities are becoming savvier about the global movement of talent. They are increasing efforts to collect tax from both corporate and individual taxpayers. Therefore, companies need to ensure they have internal policies and procedures in place to cope with this increase.

Going into the USA, foreign employers should be aware of their payroll obligations. They need to ensure they understand and comply with the income tax requirements for employees.

Social security (Old-Age, Survivors, and Disability Insurance (OASDI) and Medicare) is also an important part of the taxation process in the USA. Employers must be aware of the rate of tax for both them and their employees.

Employers in the USA need to submit annual reports on all compensation items for employees. It's important to know the basic taxable wages in the US (salary, commissions, benefits of any kind, equity, etc.). It's also important to be aware of any extra taxable items towards the employee.

For example, in the first year of the move to the US, things such as relocation items paid by third-party vendors need to be processed through payroll.

From a foreign employee perspective, it is vital to plan in advance for a move to the US to alleviate unexpected taxation issues. There are multiple levels of US taxation for individuals: federal, state, local, OASDI, and Medicare. Individuals should also be aware of additional taxes that could have a potential impact on their finances, particularly in the first year after moving.

If it is not explicitly clear to the employee, they should check with the employer the amount of tax that will be withheld through payroll and plan to make the relevant tax payments themselves. Foreign employees in the USA must remember to track their non-US financial income, accounts, pensions and personal investments (including foreign ownership, non-US funds and non-US stocks) as it is required for US tax reporting purposes.

## Relocation Focus

There are two very clear trends when it comes to relocation support in the marketplace. The first is the "lump-sum" approach, most commonly seen in start-ups and for younger employees without families. This involves the employer handing an agreed amount of money over to the employee for them to go forward and handle their own relocation efforts. While it is a simple approach from an employment perspective, it is based on the assumption that employees are very tech-savvy and understand what they are doing in terms of researching and finding vendors and providers.

The second trend is a "hands-on" approach, more common with traditional companies and particularly with new employees in senior management positions who often move with their families. In this trend, the HR department steps in and handles all details around immigration, taxes and housing. They also tend to provide more support to the spouse and children and their specific needs.

To give an idea of how important support for families and spouses is, it's estimated that 60% of Early Stopped Assignments happen within the first year purely because the family or spouse does not receive the support they require.

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**For more info:** David Livitt: [dlivitt@gtn.com](mailto:dlivitt@gtn.com)  
Lynn Carbo: [lcarbo@gtn.com](mailto:lcarbo@gtn.com)  
Thomas Szoeke: [thomas@noah-mobility.us](mailto:thomas@noah-mobility.us)  
James Hollis: [jhollis@visalaw.com](mailto:jhollis@visalaw.com)

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