



## Addressing the impact of COVID-19 Remote Workforce Expenses

In response to COVID-19, many employers have rapidly shifted all or some of their workforce away from physical company worksites and into remote working arrangements, at least for the time being. With millions of people now working from home full-time, workers are seeking additional benefits and support from their employers to meet new needs stemming from remote work arrangements. These new needs have prompted many employers to reimburse remote work expenses ranging from technology, office space and furniture, to childcare, and personal well-being. As employers determine what remote working expenses to reimburse they should also consider the varying tax, compliance, and administrative implications of their decisions.

*Many employers are financially supporting workers that work remotely by offering them a range of equipment and/or services.*

### EXAMPLES OF EXPENSES EMPLOYERS CONSIDER REIMBURSING FOR A REMOTE WORKFORCE



#### Technology

- Laptop or desktop computer
- Monitor
- Printer
- Headsets
- Keyboard, mouse, and other peripherals
- Software upgrades/licenses
- Cost of internet access and necessary equipment



#### Office Space and Furniture

- Portion of rent/mortgage
- Desks
- Chairs
- Lighting
- Filing cabinets
- Ergonomic equipment



#### Childcare

- Monthly or daily stipends for childcare
- Direct contracting with childcare facilities and allowance for a certain number of uses per month



#### Well-Being

- Exercise equipment (e.g., yoga ball, under desk treadmill)
- Virtual workout classes
- Meditation applications
- Annual well-being subsidy

Looking globally, employers should be mindful of pre-COVID-19 benefits regulations and more recent legislation implemented as a response to COVID-19; such technical support may provide employer and/or worker tax relief for employer-funded benefits (up to and including full tax exemptions).

**Example:** An employer choosing to provide reimbursement for their workers' monthly internet expenses, **estimated to be \$50/month, \$600/year**, may be exempt from certain payroll taxes in various countries. Assuming this employer has **10,000 workers** globally, the **annual spend on this benefit alone is \$6,000,000.**



While employer social tax rates vary by country (e.g., relatively low in the U.S. to relatively high in Europe), if in aggregate an employer can **save an average of 10% in social tax contributions** by utilizing country-specific exemptions for this type of benefit, this may result in potential **cash tax savings of \$600,000 on this benefit alone.**

Employers should consider the varying tax, compliance, and administrative impacts of providing workers with reimbursements, subsidies, equipment and/or services to help enhance their remote work environments, as well as how these offerings can link to and enhance their overall talent and total rewards strategy.

## CONSIDERATIONS FOR EMPLOYERS

### Tax:

- Review any applicable Federal, regional, local, and social tax legislation and guidance that may impact the amount or types of expenses (e.g., Internal Revenue Code, § 139. Disaster Relief Payments in the U.S.) which may be eligible for preferential tax treatment
- Understand the tax impacts specific to providing stipends, submitting expenses for reimbursement, and procuring the items/services on a worker's behalf
- Review entity-level tax deduction regulations in the context of newly provided benefits (especially relevant where benefits will result in compensation to program participants and costs will be borne by local entity employers outside the U.S.)

### Administration:

- Communicate the updated policies and applicable tax implications to the workforce
- Interface with payroll systems to report activity and withhold taxes as needed

### Compliance:

- Review and update HR policies as they relate to the COVID-19 environment, specifically current Remote Work policies, along with Expense and Travel policy, to capture any allowable expenses for the remote workforce
- Ensure payroll reporting and tax withholding obligations reflect Federal, regional, local, and social tax treatment, as applicable

### Total Rewards:

- Evaluate existing benefit offerings (e.g., commuter stipends, FSDC accounts) to help ensure continued value and relevance to the workforce
- Identify potential opportunities to introduce new benefits that strengthen the current total rewards strategy and talent brand

*Addressing these considerations are key to maintaining productivity, mitigating risk, and supporting workers' needs*

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