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Reinstating the Moving Expense Tax Deduction

The moving expense tax deduction and exclusion was first established by Congress in 1964 and has enjoyed bipartisan support. The deduction is estimated by the Congressional Budget Office to have provided approximately $1 billion in annual tax relief prior to its suspension through 2025 as part of the Tax Cuts and Jobs Act of 2017. The relief is significant to those individuals and businesses involved in a relocation but a small price to help reduce the costs of attracting workers to relocate for a job, which enhances efficiencies for businesses that fuel the U.S. economy and economies of local communities, along with supporting the professional development of U.S. workers.

U.S. employers need to have a mobile workforce in which employees can relocate as necessary to meet the evolving needs of their company. The cost, however, for an employee to relocate for a position can be a deterrent–even with financial assistance from their employer. The moving expense tax deduction addresses the issue of the company having to gross up when covering the additional tax burden associated with the moving benefit.

- **Deduction benefits middle- and working-class employees and families** – 72% of U.S. taxpayers who claimed the moving deduction earned $100,000 or less, with 42% of all taxpayers claiming it reflecting income of less than $50,000. Only 5% of taxpayers claiming the deduction earned over $200,000.

- **Not having access to the deduction since 2017 has adversely affected U.S. workers** – Over the last seven years, the suspension of the moving expense deduction has resulted in unintended consequences that have hurt the American workers and their families that must move for employment purposes.

    - **Inflated taxable income levels** – By having to treat moving-related benefits provided by the company as part of an employer-sponsored relocation as taxable income, the moving employee faces a much higher tax burden solely because they are moving for employment purposes. Most companies do provide their relocating employees additional financial support to help offset their potential tax impacts, which not only results in substantial and significant additional costs to U.S. employers annually but also in employees reflecting elevated income on their tax returns.

    - **Unintended taxpayer ineligibility for income-related tax relief opportunities, notably the child tax credit** – The elevated taxable income can result in a U.S. worker becoming ineligible for critical tax relief mechanisms, such as the child tax credit, that they would have otherwise qualified for if the employment-related moving expenses didn't increase the amount and push their taxable income past the point of eligibility.

We ask that you support reinstatement of the moving expense tax deduction and exclusion as the temporary suspension of the provision expire at the end of 2025 and once again provide critical tax relief for middle class workers and families as well as the businesses that relocate talent across the United States.

CONTACT: If you have any questions regarding WERC policy positions and issues, please contact Vice President of Public Policy and Research Michael Jackson. He can be reached by email at mjackson@talenteverywhere.org or phone at (703) 842-3411.