



# WORLDWIDE ERC® WEBINARS

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**WORLDWIDE ERC®**  
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# **Worldwide ERC® Government Affairs Update**

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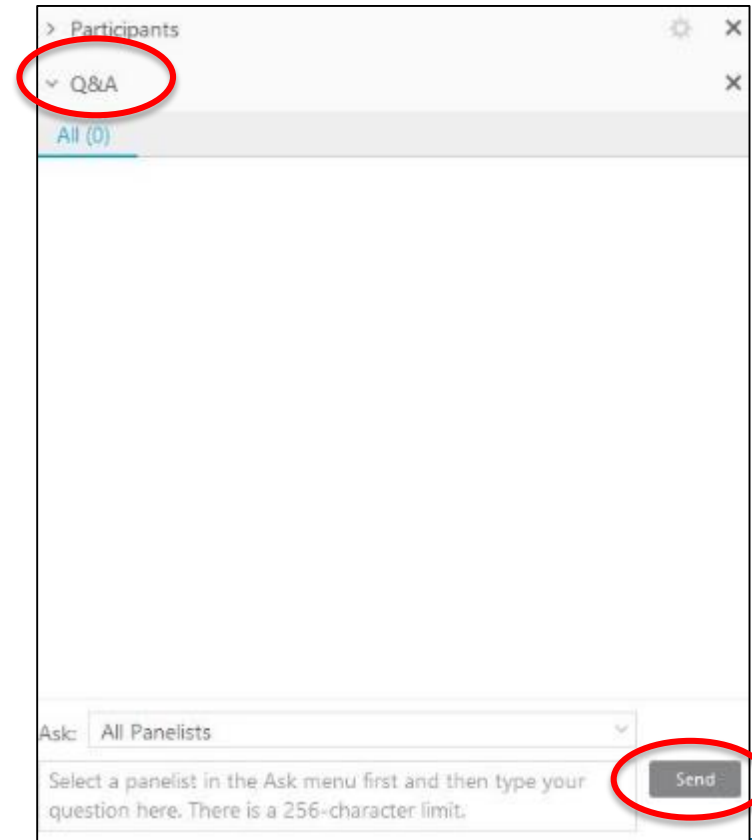
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# Q&A Instructions

- Submit questions through Q&A dialogue box
- Box is located in lower right corner of screen
- Do not use the Chat Box
- Be specific
- You may submit your question at any time

Q&A Dialogue Box:



# Polling Instructions

- The Polling Box appears below Q&A Box
- Question will appear on slide and in the Poll Box
- Submit answer quickly
- Results will display in the same location

Polling Box:

The screenshot shows a web interface with two main sections: 'Q&A' and 'Polling'. The 'Polling' section is highlighted with a red circle. It displays a question: '1. Are you enjoying this Learning Zone Webinar?'. Below the question are three radio button options: 'a. Maybe', 'b. Yes', and 'c. Absolutely!'. The 'c. Absolutely!' option is selected, indicated by a blue bar. At the bottom right of the Polling section, there is a 'Submit' button, also highlighted with a red circle. Above the question, there is a timer showing 'Time elapsed: 0:38' and 'Time limit: 5:00'.



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# Today's Presenters



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# Government Affairs Update

- Capitol Hill Overview
- ACA Repeal and Replace
- Travel Restrictions Executive Order
- Moving Americans Privacy Protection Act
- Financial CHOICE Act



# Capitol Hill Overview



# ACA Repeal and Replace

- On June 22, Senate Republican leaders released discussion draft of Better Care Reconciliation Act (BCRA) which is their proposal to repeal and replace the Affordable Care Act (ACA)
- Senate Majority Leader Mitch McConnell (R-KY) pushed for Senate vote before July 4 congressional recess
- Under budget reconciliation process, only simple majority, with VP casting tie-breaking vote, of Senators needed to pass bill as opposed to 60 under regular order
- Senate comprised of 52 Republicans and 48 Democrats or Independents
- Several Senate Republicans voiced concerns about draft and insufficient time to analyze and vote was postponed



# ACA Repeal and Replace

Key provisions of the BRCA are as follows:

- Subsidies for individuals and families to purchase health insurance through the federal or state health exchanges would be replaced by refundable tax credits based on age, income and geographical location
- Individual mandate would be eliminated and employer mandate penalty set at zero
- The Medicare tax on high-income individuals would be repealed
- Children up to the age of 26 could remain on the health insurance plans of their parents
- Health plans must accept applications from individuals with pre-existing conditions but states can request to reduce essential health benefits requirements
- Increase in limits for Health Savings Accounts



# Polling Question

- What do you believe to be the likelihood that Congress will pass ACA repeal and replace legislation this year?
  - A. Very Likely
  - B. Somewhat Likely
  - C. Not Likely
  - D. Very Unlikely
  - E. No opinion



# ACA Repeal and Replace

On May 4, House passed the American Health Care Act (AHCA) by vote of 217 to 213 with 20 Republicans and all Democrats voting against it

Key provisions of the AHCA are as follows:

- The income-based subsidies for individuals and families to purchase health insurance through the federal or state health exchanges would be replaced by age-adjusted refundable tax credits
- The individual and employer mandates imposing tax penalties associated with not purchasing or providing health care cover would be eliminated effective for the 2016 tax year
- The Medicare tax on high-income individuals would be repealed
- Children up to the age of 26 could remain on the health insurance plans of their parents
- Individuals with pre-existing conditions would receive coverage through high-risk pools



# Travel Restriction Executive Order

- On June 29, Trump Administration implemented scaled-back Executive Order suspending entry of certain foreign nationals from six countries from entering U.S.
- U.S. Supreme Court issued unsigned order on June 26 that parts of Executive Order could take effect while Court considers its constitutionality in October 2017 term
- Court made a distinction between those foreign nationals with “bona fide” relationships in the U.S.
- Order used example of those foreign nationals with employment with U.S. company as exempt
- Most recent Executive Order had already exempted green card holders



# Travel Restriction Executive Order

- On March 6, President Trump signed second executive order on suspension of issuance of visas for individuals from certain countries
  - Suspended for 90 days the issuance of U.S. visas for foreign nationals from Iran, Libya, Somalia, Sudan, Syria and Yemen
  - Foreign nationals from Iraq not included this time
  - Applies to foreign nationals who did not have a valid visa when the first executive order was issued and do not have a valid visa and are outside of the U.S. on the effective date of the revised order
  - Waiver is granted to foreign nationals who 1) are lawful permanent residents of the U.S., 2) are a dual national traveling on a passport of a non-affected country, 3) have a green card and are seeking to reenter the U.S. or 4) entering the U.S. for business purposes which would be significantly hampered by being denied entry





# Travel Restriction Executive Order

- Executive order was scheduled to take effect on March 16
- On March 15, federal judge in Hawaii halted implementation of the major provisions of the second executive order
- On March 16, a federal judge in Maryland issued a narrower injunction suspending only the visa piece
- On March 17, the Department of Justice appealed the ruling by the federal judge in Maryland
- On May 25, the Court of Appeals for the 4<sup>th</sup> District Circuit in Richmond, Virginia upheld ruling by Maryland Judge
- On June 12, the Court of Appeals for the 9<sup>th</sup> Circuit upheld the Hawaii lower court ruling blocking the Executive Order



# Moving Americans Privacy Protection Act

- U.S. Customs and Border Protection (CBP) presently releases vessel manifests which include personally identifiable information of individuals shipping goods
- Information can include Social Security numbers, passport numbers and addresses
- Data brokers purchase information compiled by CBP and use for marketing purposes and post on websites
- On May 1, Senators Steve Daines (R-MT) and Gary Peters (D-MI) introduced the Moving Americans Privacy Protection Act (S. 998)
- S. 998 would prevent CBP from releasing the personally identifiable information



# Polling Question

- Were you aware of the issue in which the personally identifiable information of a individual shipping goods can be posted on the Internet?
  - A. Yes, I know of such an instance
  - B. Yes, I have read about it
  - C. No, this is the first I am hearing of it
  - D. Unsure



# Financial CHOICE Act

- House passed Financial Choice Act (H.R. 10) on June 8 by a vote of 233 to 186
- Consumer Financial Protection Bureau (CFPB) would be overseen by new Consumer Financial Opportunity Commission (CFOC)
- Funding for CFPB and CFOC would be through congressional appropriations process instead of from the Federal Reserve



# Financial CHOICE Act

- Includes the Mortgage Choice Act (H.R. 1153) which previously passed the House in last Congress
- H.R. 1153 would amend new definition of qualified mortgage from Dodd-Frank
- As result of Dodd-Frank, a qualified mortgage cannot have fees and points of more than 3% of loan amount for loans \$100k and over
- H.R. 1153 would expand list of items under the Truth in Lending Act excluded from the cap to include, under certain circumstances, fees paid to companies affiliated with the lender and escrow charges (taxes and homeowners insurance)



# Tax Update

- Topics:
  - Tax Reform
  - NAR Housing Price Study
  - Mobile Workforce Act
  - Toronto Non-resident speculation tax



# Tax Reform

- Timing: Will it really happen?
- Original goal: August 2017 Recess
  - Not going to happen
    - ACA repeal/replace causes delay in House
    - Senate now busy with healthcare, no end in sight
    - No agreement on details even in House; 2 hearings so far, but 2 more after July 4 recess
      - One on small business
      - One on benefits to families and individuals from simplification
  - Trump one-page list also disrupts process, absolutely nothing further from Administration



# Tax Reform

- New goal: End of 2017
  - But no legislative language yet in either House or Senate
  - Would be effective 2018, with numerous transition rules
  - Organized groups from every business and individual sector are weighing in with problems, proposals
  - Neither Senate nor White House committed to House Republican business proposals (border adjustment appears dead)





# Tax Reform

- Not clear even end of year a realistic goal
  - Congress does not return until July 10
  - Only 3 weeks between July 10 and recess for all of August
  - Extremely complicated budget and debt ceiling issues must also be resolved in September
  - Health care nowhere near completion



# Polling Question

- How likely do you think it is that Congress succeeds in passing major tax legislation this year?
  - A. Very likely
  - B. Pretty likely
  - C. Not very likely
  - D. Not sure



# Tax Reform-Mobility

- Although neither House Republican or Trump plan is specific about tax breaks that would be eliminated, for mobility the risk areas, at minimum, are:
  - Moving expense deduction/exclusion
  - Capital gains homesale exclusion
  - Mortgage interest deductions
  - State tax deductions
    - Income
    - Property
  - Foreign earned income and housing exclusions



# Tax Reform-Mobility

- Mortgage Interest
  - Some form of deduction will survive. NAR, others lobbying intensively (see following discussion about housing prices)
- Homesale cap gains: probably same
- State/local taxes: severe risk, but states and numerous others are well-funded and lobbying intensively
- Foreign earned income and housing: well-defended by numerous groups



# Tax Reform-Mobility

- Moving expense deduction/exclusion
  - Low priority for organizations lobbying other issues above
  - Worldwide ERC and American Moving and Storage Association (AMSA) must carry the ball



# Tax Reform-Mobility

- Working intensively to put together strategies, supporting materials
  - White papers
  - Statistics
  - Congressional supporters
- Commissioned an update of persuasive economic study from 1993 moving expense fight



# Tax Reform-Mobility

- Analysis: “Tax Treatment of Moving Costs: The Economic Impact of a Growing Economy”
  - Two well-known tax economists
  - Conclusion: Mobility of labor is critical to the health of the economy, and the moving expense deduction contributes importantly to labor mobility
- Will be completed mid-July, made available to members
- Also working on grass-roots efforts (that means you!)



# Tax Reform-Mobility

- New Opportunity to make case for the deduction
  - Senate Finance Chairman Hatch has issued an invitation to anyone affected to make a submission to the Committee
  - Due July 17
  - AMSA and Worldwide ERC will be making a submission, which we expect will include the updated study from 1993





# Polling Question

- Do you think your company would willing to write letters to their Congress members supporting the moving expense deduction?
  - A. Yes
  - B. No
  - C. Not sure
  - D. Not sure but would be willing to ask



# Tax Reform-Housing

- NAR not just working on mortgage interest deduction
- New study done for NAR by PwC predicts severe housing price drop under House Republican and Trump plans even if mortgage interest deduction retained
  - 10.2% drop in near term
  - Range from 8% to 12%
  - Not clear if prices would rebound in future years



# Tax Reform-Housing

- Study: “Impact of Tax Reform Options on Owner-Occupied Housing,” May 15, 2017
- Assumes 3 rates with high of 33%, no Alternative Minimum Tax, standard deduction doubled, personal exemptions eliminated, 3.8% investment income tax repealed, and all other deductions (including property taxes) are eliminated



# Tax Reform-Housing

- Reasons for price decline:
  - Value of mortgage interest deduction, and of home ownership in general, declines due to:
    - Much larger standard deduction (far fewer itemize)
    - Much lower tax rates
    - Loss of property tax deduction
  - After-tax cost of home ownership increases
  - Other investments become more profitable



# Mobile Workforce Act

- Long-sought by large employers who have workers who travel to other states
  - Currently, each state has own rules as to when those workers become taxable there, when withholding has to begin
    - Some have “days worked” standard
    - Others have “money earned” standard
    - Taxability threshold sometimes differs from withholding threshold



# Mobile Workforce Act

- Mobile Workforce Act (MWA) imposes a single federal standard
  - Worker does not become taxable in a state until more than 30 days worked.
  - Same standard for withholding
  - However, once 30 days exceeded, tax and withholding apply to all wages from day one



# Mobile Workforce Act

- H.R. 1393, the MWA, passed the full House of Representatives on a voice vote June 20, 2017
- Under consideration in Senate (companion bill S.540)
  - Senate bill has 43 co-sponsors from both parties
- Legislation has been introduced every year since 2007
- This may be the year!



# Toronto

- Toronto real estate market is considered overheated, prices rapidly escalating
- Ontario government has acted to slow it down by imposing a new “Non-resident Speculation” tax
  - 15% additional land transfer tax on any purchase of Toronto area real estate by a non-resident of Canada
  - Effective retroactively to April 21, 2017 once approved by legislature





# Toronto

- Will affect non Canadian transferees buying a home in the area, increase costs for employer
  - Tax can be rebated if:
    - Transferee becomes permanent resident, or
    - Transferee can show transferee has legally worked in Canada for a full year following the purchase
  - In the meantime, however, the tax must be paid



# Toronto

- May also affect Relocation Management Companies (RMC's)
  - If not Canadian residents when buy transferee homes in Toronto for resale, subject to 15% tax
  - Regulatory exemption from the regular land transfer tax if property disposed of within 90 days has not yet been extended to the new tax
- Worldwide ERC, CERC working to extend regulatory exemption.



# Questions & Answers

Q and A



# Thank you for attending!

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