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U.S. Domestic Relocation Policy Best Practices

This is a particularly dynamic time for companies that relocate employees within the U.S. Several overarching social and demographic trends are influencing how we work, relocating employees' expectations, and client policy responses. And those employee expectations can vary significantly across generations, locations, and industries.

Domestic relocation best practices balance the employer's need to deploy talent efficiently and cost-effectively with the quality of the employee experience. The best practices detailed here offer a valuable benchmark for developing or reassessing your company's domestic relocation policy in response to this evolving relocation landscape.

These best practices address a range of considerations, from managing costs and minimizing disruption to employees' lives to maintaining compliance with legal and tax regulations. Ultimately, your company's best practices will be the policy elements most closely aligned with your corporate culture and business objectives.

We will begin with a few trends influencing mobility programs across industries.



Current Trends and Special Considerations

Talent Shortage, Attrition, and Changing Demographics

The war for talent might have peaked during the pandemic, but with the Baby Boomer generation retiring in large numbers and college enrollments dropping, many industries will continue to struggle to find qualified candidates.

Fewer children were born to Boomers and subsequent generations, leading to a shortfall of younger workers to replace retirees. Furthermore, despite being the largest population group, Millennials often lack the academic credentials and experience to fill many of these job vacancies. The National Student Clearinghouse Research Center reports a ten percent decline in college enrollment over the past decade due to falling birth rates, escalating tuition costs, and pandemic-induced financial difficulties.

Business immigration could be a solution to this demographic challenge. By welcoming skilled workers from other countries, the U.S. could fill the projected labor gaps. However, current U.S. immigration policies severely limit the number of workers who can immigrate for business purposes. For example, the cap for H-1B visas used by businesses to employ foreign workers in specialty occupations is currently set at 85,000 per fiscal year.

The prospects for changing these limits through Congressional action are dim. Immigration is a contentious issue in U.S. politics, and efforts to reform business immigration policies have often been met with resistance. Therefore, while business immigration could potentially alleviate the projected labor shortages caused by declining birth rates and an aging workforce, current immigration policies and the political climate make it unlikely that the limits on business immigration will significantly increase soon.

What does this mean for mobility programs?

The dwindling talent pool, employees' resistance to relocate, and challenges in bringing remote staff back to the office are forcing companies to get more creative with their recruiting strategies and incentives. Mobility benefits are increasingly used as negotiation tools for new hires and internal transfers. Some employers even offer more generous relocation packages to attract talent to labor-deficient areas. To stay competitive, companies should benchmark their mobility programs at least every two years, consider employee feedback, and ensure their programs reflect their corporate culture, industry norms, and the nature of the work itself.

Working From Home / Remote Work / Hybrid Work

The advent of remote work has profoundly reshaped numerous industries globally. While 'remote work' generally signifies working from a location other than an employer's office, it's essential to differentiate between 'working from home' and 'working remotely.' The former implies a fixed location with a dedicated home office setup. Fully remote work can entail working anywhere in the U.S. or most of the world, and it can create compliance and duty of care headaches for employers.

Many businesses were caught off guard as the pandemic struck, lacking the technology and processes to support a 100 percent home-based workforce. Companies were compelled to adapt and innovate to maintain their operations or risk potential shutdowns. Fast forward to today, and a new difficulty arises. Many corporate leaders want their employees to return to the office, while the employees wish to continue to enjoy the flexibility of remote work.



This discordance has led to the rise of hybrid work models. These models are a compromise between the full-time office work that employers might want and the remote arrangements favored by many employees.

According to the 2023 Atlas World Group Corporate Relocation Survey, hybrid work is predicted to surge by 81 percent in 2024, while exclusive work from home or remote arrangements are projected to decline by 19 percent.

What does this mean for mobility programs?

The shift to anywhere work has significantly affected corporate relocations. Many fully remote employees choose to relocate voluntarily for lower living costs, proximity to friends and loved ones, or better work-life balance. More companies are creating mobility policies that accommodate these voluntary moves. When offered, company assistance often comes in the form of lump sum payments or small household goods moves.

For companies that have adopted hybrid work models, employees must live within a reasonable commute to their assigned office. Depending on the specifics of the in-office requirements, this might require a relocation or a business travel arrangement. Also, some companies consolidated their office space during the pandemic. Some employees who once lived close to an office location might need to relocate to meet the in-office requirement or be reclassified as fully remote workers.

Focus on Flexibility and Adaptability



Younger generations of workers continue to drive change in the workforce. The evolution from Monday to Friday strict business attire to casual Fridays and giving one's suits and jackets to charity was initiated and advanced by younger generations entering the workforce. Younger workers have similarly led the charge for greater flexibility in workforce policies, including mobility.

This flexibility and adaptability are vital to adjusting to changes and supporting all employees. Corporations that show flexibility and adaptability often have higher productivity levels, lower attrition, higher employee satisfaction, and more success in hiring new talent.

What does this mean for mobility programs?

Flexible and adaptable corporate mobility programs are vital to meeting the needs of a diverse workforce. Existing employees and new hires are pressing for tailored relocation programs and pushing back against traditional 'use it or lose it' benefits.

Offering choice in policy benefits signifies a company's commitment to relocating employees and creates a more positive and successful employee relocation experience overall. Instead of a generic approach, customizable packages that cater to each employee's unique needs promote cost control, transparency, and a positive employee experience.

Environmental, Social, and Governance (ESG) and Diversity, Equity, and Inclusion (DEI) Movements

The ESG and DEI movements continue to influence many corporations, and the ideals embedded in them are essential to many current and potential employees and customers.



Environmental, Social, and Governance (ESG) refers to three central factors:

- The environmental component evaluates a company's practices regarding pollution, natural resource conservation, and climate change mitigation.
- The social element assesses how a company manages relationships with employees, suppliers, customers, and communities, including its commitment to diversity, human rights, consumer protection, and animal welfare.
- The governance factor examines a company's leadership, executive pay, audits, internal controls, and shareholder rights.

Diversity, Equity, and Inclusion (DEI) refers to a company's commitment to promoting diversity in its workforce, ensuring equal opportunities for all employees regardless of their background, and creating an inclusive environment where everyone feels valued and accepted.

- Diversity involves considering and respecting all differences — including but not limited to race, gender, age, ethnicity, religion, disability, sexual orientation, education, and national origin.
- Equity is about fairness, which means providing everyone with the resources and opportunities to succeed.
- Inclusion fosters a sense of belonging by embracing and valuing each person's diverse perspectives and experiences.

What does this mean for mobility programs?

Companies are measuring, reporting, and improving their ESG/DEI performance and are demanding the same from the companies they do business with. Meanwhile, current and potential employees scrutinize how corporations meet their ESG/DEI responsibilities and often base employment decisions on whether an organization's values align with their own. Companies that demonstrate a commitment to ESG/DEI principles, including within their mobility programs, often have an advantage in attracting and retaining top talent.

ESG/DEI efforts have encouraged the mobility industry to innovate and have led to initiatives such as the Discard and Donate program, more fuel-efficient transportation in the household goods industry, and increasing support for stress management during relocations. The mobility industry increasingly recognizes the importance of ESG/DEI factors to meet the expectations and values of employees and stakeholders.



Greater Reluctance to Relocate

The recent pandemic has left a lasting imprint on the American psyche, leading to a marked growth in reluctance to relocate. Amid lingering uncertainty, individuals have become wary about making significant life changes.

As a further disincentive to relocation, the housing market, characterized by skyrocketing prices and limited inventory, poses a formidable challenge for those seeking affordable homes in preferred locations. Rising mortgage interest rates further compound this issue, as many employees hesitate to relinquish their historically low rates. Some current homeowners fear buying a home in the new location will be impossible.

More broadly, the advent of remote work and increased flexibility has led employees to question the necessity of many corporate relocations. They might ask why they can't do the new job from their current location. And as always, the emotional bonds with family and community serve as powerful deterrents to relocation, reinforcing Americans' reluctance to move.

What does this mean for mobility programs?

As much as employers might like to cut relocation costs, now is not the best time. With all of the headwinds relocation faces today, a no-frills relocation program is unlikely to entice key talent to accept a corporate move. Along with providing comprehensive relocation support, some of the other steps that employers can take to persuade employees to relocate include:

- Propose attractive salaries and benefits that reflect the new location's cost of living.
- Consider offering flexible starting dates and a hybrid work schedule in the new location to ease relocation stress and promote work-life balance.
- Communicate clearly about the relocation process, including timelines and expectations.
- Include employees in decision-making to empower and help them feel more in control of the situation.
- Evaluate feedback from relocated employees to ensure the program meets employees' needs.
- Make program adjustments to enhance future relocation experiences.

Domestic Relocation Best Practices

Program Model

Employee relocation programs vary in complexity and scope. Traditional or full-service programs still retain a slight edge in popularity over managed cap and core-flex programs, but your company's culture should guide your choice.

Full-Service Program

A full-service program includes a comprehensive suite of benefits and services designed to streamline the relocation experience for employees and their families. This model, characterized by its structured framework, encompasses most if not all, aspects of the move without imposing a monetary cap. Even companies that have incorporated more flexible policies often retain a full-service relocation benefit for senior executives or indispensable talent, underscoring its proven effectiveness.

Managed Cap Program

Managed cap programs, also known as managed lump sum or managed budget models, are gaining traction. These offer a pre-determined monetary amount, which can be consistent across policy tiers or vary from employee to employee. The amount may be negotiated or determined by relocation location, family size, or employee grade level. These programs allow employees to choose the benefits that best suit their needs until they reach the monetary cap. These managed cap amounts can differ significantly among companies, making them challenging to benchmark.

Core-Flex Program

Core-flex programs, which continue to grow in popularity, have a two-tiered benefit structure. The 'core' includes essential benefits provided without budget limitations, while the 'flex' offers a selection of menu benefits that employees can choose based on their needs, up to a pre-determined limit.

Lump Sum Program

Lump sum programs typically serve as an entry-level or new hire tier within a mobility platform rather than a standalone platform. It's crucial to note that standard lump sum policies generally require employees to manage their relocations independently, with assistance from a relocation management company limited to funds disbursement.

Trend(s) to Watch:

Managed cap and core-flex programs continue to grow in popularity as they satisfy the employer's need for cost containment and the transferring employee's desire for flexibility. This trend is not expected to slow down anytime soon. Lump sum programs can be useful for entry-level employees with few possessions or obligations but can result in a substandard customer experience for more established talent.

Policy Tiers

Implementing a tiered policy program is the most effective way to ensure fairness and equity for relocating employees. Well-constructed tiered policies align with corporate goals and provide suitable relocation experiences based on each employee's circumstances while also controlling costs. Policy tiers are usually based on homeowner/renter status or employee grade level. Under both approaches, there is typically a top or executive tier, encompassing both homeowners and renters without budget constraints.

Publishing the different tiers and effectively communicating the associated benefits promotes transparency and discourages water cooler discussions about potential inequities. Transparency fosters trust in the relocation process and the company's commitment to fairness.



Trend(s) to Watch:

Some companies had further broken down their tiers into current employees versus new hires as a cost containment strategy. However, most companies have abandoned these tier classifications due to intense competition for talent and the increasing demand for equity and transparency.

More companies are adopting short-term domestic assignment policies to mitigate costs and offer flexibility for employees who do not want to move permanently. These programs primarily focus on project-based tasks or knowledge transfer.

The number and complexity of policies can vary significantly from one company to another. Today, companies have an average of four relocation policies within their domestic program. However, smaller companies with fewer relocations may have just one or two policies. Conversely, larger companies may have more policies to accommodate diverse relocation scenarios and employee levels. TRC has generally observed an increase in policy tiers since the pandemic and subsequent reevaluation of client policies.

Home Disposition

The most expensive benefit that can be included in any mobility program is the sale of the employee's home. Many employees argue that it is also the most crucial benefit, as their decision to relocate often hinges on their ability to sell their family home.

For employees considering relocation, property values remain strong, and in many areas of the country, demand continues to surpass supply. According to CoreLogic, home prices in the United States saw a 2.5 percent increase from July 2022 to July 2023, with a projected 3.5 percent increase from July 2023 to July 2024.

The pandemic fueled the desire to move, as individuals who had never experienced remote work realized they could work for their employer without living within commuting distance of an office. This newfound flexibility prompted many to consider relocating closer to family, areas with a lower cost of living, or regions that offered a better work/life balance. Consequently, the real estate market became fiercely competitive, with properties selling well above their list price and sometimes without inspections or even being viewed in person. The surge in home prices and significant increase in mortgage rates have considerably dampened this pandemic-era enthusiasm for relocation.

Program Considerations

The Buyer Value Option (BVO) program remains the best practice for all domestic homesale programs in the U.S. Most employers find that the tax savings outweigh the risk of a sale falling through in the current real estate market, and the program overall is less costly for companies than the GBO.

Guaranteed Buyout (GBO) programs are predominantly used at the executive level. However, the continuing talent shortage and the challenging real estate market have also made GBO programs worth considering at the non-executive level. Implementing GBO programs with more generous benefits at lower levels can be a strategic best practice to enhance competitiveness.



GBO programs come with a certain level of risk, and risk-averse companies can consider effective alternatives such as the Buyer Value Option (BVO) or direct reimbursement with tax gross-up.

As a company evaluates its home sale approach, it is crucial to analyze underperforming departure markets and develop corrective strategies accordingly. Best practice is to always include a home marketing assistance benefit that encourages employees to list their properties at a realistic price, promoting a quick sale at the best price. Company policies can support this goal by requiring Broker Market Analyses (BMAs) and implementing a list price cap, discouraging setting an inflated initial asking price to test the market. The list price cap is usually set at 105 percent of the average of the two BMAs or the average of the two highest BMAs if three are completed.

For renters, best practice is to cover lease breakage penalties, typically up to a maximum of two months' rent. Employees who will be renting in a new location should be advised to include a "transfer clause" in their new lease, which helps minimize lease breakage fees for future moves. Security deposits are typically not considered for reimbursement, as any loss of a security deposit usually results from tenant-caused damage to the property.



Trend(s) to Watch:

The pandemic halted many corporate relocations. However, individuals and families not part of an employer's relocation program still made moves. As previously mentioned, purchasing property during the pandemic (and even now in some areas) proved challenging, with intense competition driving prices well above the listing price. Many of these employees are now in homes that will appraise for less than they paid for them (albeit with a very low mortgage rate.) As the market cools down, companies are re-evaluating several benefits to assist these employees and persuade them to move.

- **Loss on Sale Benefit:** Most companies removed the loss on sale benefit from their policies during the 2008-2009 recession. As many homeowners owed more on their mortgage than their homes were worth, loss on sale costs spiraled for companies. However, with many employees at risk of being in this situation again, employers are now contemplating reintroducing this benefit into policies or using it on a case-by-case basis to entice valuable talent to relocate.
- **Guaranteed Buyout Offer Benefit:** New home construction is booming in many parts of the country, which should eventually help to align supply and demand. However, given buyers' preference for new construction, older or even slightly older homes might struggle to attract buyers. To address this issue, some employers may consider implementing GBOs as part of their programs or utilizing them case-by-case to support their employees during a move.
- **Security Deposits:** The rental market is just as hot as the home sale/purchase market in most parts of the country. In some cities, the average monthly rent is now higher than the average monthly mortgage payment. To alleviate this financial burden, some employers cover all or a portion of the security deposit for rentals, offering an additional incentive for crucial talent.

Destination Home Finding

A destination home-finding trip is a relocation best practice across industries. The home-finding trip allows employees and their families to familiarize themselves with the area, explore potential homes for purchase or rent, and visit schools if needed. This helps relocating employees select a new neighborhood and residence swiftly, reducing temporary housing costs and minimizing work disruptions. Expediting the settling-in process mitigates stress and enhances the overall employee experience.

Trip length and family inclusion vary based on employee level and homeownership status. Best practice for homeowners and mid-level employees is a 5-day/4-night trip (including travel time), with the spouse/partner included. For executives (both renters and homeowners), best practice is 7 days/6 nights, often split into two separate trips. For renters and lower-level tiers or grades, best practice is a 3 day/2-night trip, including travel time.

Additional benefits usually include airfare, airport transportation, and a rental car at the destination. Employees are reimbursed for mileage, tolls, and parking if the distance is close enough to drive. Either way, benefits include lodging and a per diem allowance for meals. Weekend travel is encouraged (often with a Saturday overnight stay required) to minimize missed work.

Employees planning to buy in the destination location will meet with local real estate agents. These agents will offer tours of potential homes, neighborhoods, and school districts, providing invaluable insights to employees and their families. For renters, best practice is to include a one-day rental tour benefit in the destination location.



Trend(s) to Watch:

Some sustainability-focused employees skip the extra travel of a home-finding trip, waiting until they are in temporary housing for in-person tours. Extensive research and virtual tours of potential homes, neighborhoods, and schools are becoming more popular. If opting for this approach, meticulous planning is crucial to ensure adequate research and mortgage pre-qualification are completed before arrival at the new location. Closing on a home purchase with a mortgage is taking longer than in recent years, so it is essential to be able to act quickly upon arrival.

Moreover, elevated home prices and higher mortgage rates might prevent some homeowners from qualifying for a mortgage in their new location. Others might prefer renting to taking on a new, higher-interest mortgage. Regardless, ensuring a positive employee relocation experience remains vital, whether the employee is a homeowner or renter.

Home Purchase / Mortgage Assistance

For homeowners enjoying low-interest mortgages, high property prices and steeper interest rates at the destination are significant obstacles to relocation. The 2017 Tax Cuts and Jobs Act limits home-related deductions and provides a further disincentive for employee relocations. Companies must help soften the blow to persuade these employees to move.

Best practices for new home purchase benefits include providing referrals to real estate agents and mortgage lenders and covering normal and customary closing costs via direct billing or post-closing reimbursement. Most companies continue to offer new home purchase benefits only to those employees who were homeowners in the departure location.

Trend(s) to Watch:

Several mortgage assistance benefits, some old, some new, can help employees facing higher-interest mortgages.

- A **sliding scale benefit** permanently reduces the interest rate on a new home.
- **Mortgage Interest Differential Assistance (MIDA)** is designed to help close the gap between current market rates and the transferee's existing, lower-rate mortgage.
- An **interest-based mortgage subsidy** gradually raises a transferee's interest rate over time, allowing them to adjust to the payment.
- A **dollar-driven mortgage subsidy**, in which the employer specifies the dollar amount for individual transferees or bases the assistance on the transferee level.





Temporary Accommodations

As we emerged from the pandemic and companies began to re-initiate paused moves, the demand for corporate housing soared. The combination of permanent relocations and increased project-based, short-term domestic assignments led to full occupancy rates nationwide. Temporary housing providers hurt by the pandemic took the opportunity to increase prices.

Temporary housing availability and prices have begun to stabilize, and for most relocations, these accommodations are a necessity. Coordinating the disposition of the current home and the move into a new home, including the delivery of the employee's household goods, can be difficult. The employee and family usually need to spend at least some time in temporary housing while all the pieces of the relocation puzzle are assembled. Best practice for executives, mid-to-high-level positions, and homeowners is 60 days, while 30 days is the standard for renters and lower-level positions. In managed cap programs, the temporary accommodations benefit should be provided in 30-day increments, with the option to extend it based on the budget. Sometimes, individuals needing accommodations for only a week or two can opt for an extended-stay hotel.

Corporate housing should be fully furnished and equipped with a complete kitchen, all necessary amenities, utilities, and technology, including basic cable and internet. Ensuring that accommodations are equipped with modern technology brings comfort and enables productivity, particularly for remote employees. Ideally, companies should present several housing options to employees, allowing them to choose a location that best suits their needs. If the employee's family remains at the departure location, including at least one return trip home is customary. The best practice is one return trip per 30 days in temporary accommodations. Companies can also offer the option for one family member to visit the destination location instead of an employee's trip home as a cost-neutral alternative.





Trend(s) to Watch:

Airbnb and other online rental companies now have a presence in the corporate housing market and can offer flexible and often less expensive alternatives to traditional corporate housing. However, some companies explicitly state in their policies that they do not reimburse employees who choose these housing options. In such cases, employees bear the responsibility for any issues that may arise since neither the employer nor the relocation management company can ensure the quality of these properties. The value of prioritizing the employee experience, which is challenging to manage with these providers, often outweighs the cost factor.

Finally, sustainability is becoming more critical in the corporate housing market. Providers are updating their properties with energy-efficient appliances, LED lighting, water-saving fixtures, and solar panels to conserve resources and reduce utility costs. While recycling has long been widespread among corporate housing providers, composting initiatives are also gaining traction. Many providers also incorporate local and organic items, such as cleaning supplies and food, to support sustainability and the local economy. The properties ensure guests know about their sustainable practices since many are inclined to support businesses with an environmental commitment.

Shipment of Household Goods and Automobiles

The household goods industry has had its share of issues in recent years. Within the U.S., a shortage of drivers has proven to be the most significant obstacle, closely followed by a scarcity of packing and delivery teams. Globally, the moving industry has grappled with ongoing supply chain disruptions, including port congestion, container shortages, and worker strikes across multiple sectors. These issues have resulted in delays and cost fluctuations, affecting relocating employees and their employers.

Despite these concerns, best practices for full-service household goods moves have remained stable. These include contracting with a professional national van line, which provides services like full packing, partial unpacking, and third-party appliance servicing. Insurance coverage up to $125,000 is considered standard. Personal auto shipments are also standard, with mileage thresholds determining if the employee can ship one car or more.

Best practice for storage time is 60 days for executives and mid- to high-level homeowners and 30 days for renters and lower-level tiers (typically mirroring what the company offers for temporary accommodations.)



Emerging Best Practices

Self-move or containerized solutions are becoming an alternative to full-service moves. These options are popular for lower-tier moves, smaller shipments, and those seeking greater flexibility and lower costs. They can work particularly well for employees moving under a managed cap program or a budget. Some companies allow their employees to choose between a full-service move and a self-move, with incentives for the self-move option.

Reduced contact services launched during the pandemic, like remote surveying, have become standard practice. Modern technologies allow close tracking of household goods during transit, with real-time updates. Household goods carriers are adopting sustainability practices, using eco-friendly packaging materials, optimizing routes for fuel efficiency, and exploring electric vehicle options.

Discard and donate programs continue to be an emerging best practice. Professional organizers work directly with the transferring employee to discard, sell or donate unneeded items before the move. This is a win for all involved: the shipment size is reduced, the donated items go to worthy organizations, and the transferee gets a charitable tax deduction. Decluttering the home allows it to show better and sell faster, and a smaller shipment reduces the environmental impact of the move. This service reduces the cost of the move by 5–15 percent, offsetting the service's cost.

Finally, with the 2017 Tax Cuts and Jobs Act's removal of the longstanding moving costs deduction, most companies are providing tax assistance to mitigate the impact on their employees. The mobility industry is collectively lobbying to bring back the moving expense deduction before the slated expiration of the Act on December 31, 2025. However, because the IRS still permits companies to deduct relocation costs as a business expense, employers have found that the tax changes are not as costly for them as initially expected. The cost burden falls on the employee.

Trend(s) to Watch:

As in other sectors of the mobility industry, sustainability is a hot topic. Discard and donate is at the top of everyone's list as it is a win for everyone involved, but there are other areas where sustainability efforts are making a difference. For example, some moving companies are implementing solar panels, skylights, and LED lights in their warehouses to reduce energy consumption. Research is also underway to develop more energy-efficient shipment containers. Additionally, some employers offer a furniture cash allowance to relocating employees as an alternative to traditional household goods shipment. However, the question remains: How far are companies willing to push their sustainability requirements, considering the higher cost associated with truly sustainable household goods services?

Final Move

The final move benefit has remained consistent, apart from the repeal of the moving expense deduction as part of the Tax Cuts and Jobs Act. Most companies reimburse final move expenses after the trip has taken place. Best practice across industries covers airfare for moves farther than 250-500 miles or mileage at the current IRS rate for those driving their cars.

Lodging typically includes one night at the departure location, one night at the destination location, and additional en-route nights if driving. Companies provide a per diem to cover meals. If an employee has shipped their car(s) and is flying to the new location, it is typical to provide a rental car for up to 10 days or until their car(s) are delivered, whichever is shorter.

Companies with a corporate travel policy usually require transferring employees to adhere to it for relocation travel. Additionally, as with household goods shipments, most companies have opted to tax assist the final move benefit where applicable.



Miscellaneous (Relocation) Expense Allowance

The Miscellaneous Expense Allowance (MEA) covers a range of relocation expenses not explicitly mentioned in the corporate policy. These may include pet shipments, tips and gratuities, childcare, and utility deposits. In most cases, the MEA can be used for any expenses related to the employee's move.

In the traditional program model, the MEA can either be a flat amount determined by policy or tier or a percentage of the employee's salary, such as one month's salary. The benefit is usually a pre-determined flat amount in a managed cap or core-flex program.

As a best practice, the company (or the relocation management company, if applicable) should provide the transferring employee with the MEA early in the relocation process. This ensures that the necessary funds are available when needed, empowering the employee and reducing administrative burdens for the employer. While some companies still opt for the MEA as a reimbursable expense, this does not align with the spirit of the MEA, which is to alleviate financial hardship for the employee as they incur relocation expenses not covered elsewhere in the policy.

Trend(s) to Watch:
Typically, the MEA benefit is not tax-assisted. However, TRC has observed more companies grossing up this allowance as an additional benefit. To attract and retain talent, employers are finding innovative ways to build competitive advantages in their mobility policies. Tax-assisting the MEA is a small but meaningful change that can put a considerable amount of money back into the pockets of transferring employees.



Repayment Agreements

Given the considerable investment a company is making in relocating an employee, and often the employee's family, a repayment agreement is essential. The employee should sign the agreement before the company initiates any relocation activity. The repayment agreement should clarify what happens if an employee voluntarily terminates their employment or the company terminates them for cause. Best practice is a two-year repayment agreement, effective from the initiation date of relocation benefits. Ideally, the agreement should stipulate full repayment of the benefit amount within the first year, followed by a prorated amount throughout the second year.

Tax Assistance

The excitement of being offered a corporate relocation and moving to a new location can sometimes cause employees to overlook the taxability of employer-provided relocation benefits. The IRS considers nearly all relocation benefits as income to the relocating employee and, therefore, taxable.

During the W2 season, some employees are taken aback when their annual income is much higher than stated in their offer letter. This discrepancy can be confusing and frustrating as they struggle to reconcile that inflated number with their take-home pay. Employers must discuss the tax implications of relocation with prospective employees and, at the very least, advise them to seek tax consultation if it is not already included as a specific benefit.

Best practice is to provide tax assistance or "gross-up" on all taxable benefits, with the potential exception of the MEA. Tax assistance refers to the employer covering the tax payments wholly or partly to mitigate this burden for the employee. In some cases, relocation benefits can even push employees into a higher tax bracket, negatively affecting their living standards. The tax aspect of relocation should consistently rank as a top priority when employers discuss the implications of moving with employees.



Benefits Worthy of Further Consideration

Cost of Living Allowance (COLA)

The Cost of Living Allowance (COLA) is becoming increasingly important as companies realize that employees are hesitant to relocate to higher-cost areas without a means to maintain their standard of living. While inflation has raised the cost of living in many parts of the U.S., certain cities, such as San Francisco, New York City, and Boston, were high-cost locations long before the recent inflationary pressures and will likely remain so even as inflation recedes. When employees are offered a relocation, they will carefully consider whether their purchasing power remains similar in the new location.

COLAs can take several forms, including permanent or temporary salary increases (temporary if the employee plans to move again soon) or an allowance targeting the cost-of-living difference between the old and new areas, provided in each paycheck. Most companies that offer a paycheck COLA do so on a scaled basis. For instance, in the first year of the move, the employee would receive 100 percent of the COLA amount. In the second year, they would receive 66 percent; in the third year, 33 percent; and in the fourth year, no COLA would be provided.

This method assumes that within the same timeframe, the employee will receive salary increases that will help adjust to the cost of living in the new location. It also assumes that the employee will find ways to stretch their paycheck further as they become accustomed to the new area. For instance, opting to drive a couple of extra miles to shop for groceries instead of going to the nearest and potentially most expensive store. These adaptations are learned over time.

Home Sale Bonus

To encourage a timely sale, some companies offer a home sale bonus. This is a time-limited payment to encourage employees to consider all bona fide offers. Faster sales return employees to productivity more quickly, reduce employer costs, and make the relocation process less stressful for employees. Companies usually combine the home sale bonus with GBO programs and occasionally with BVO programs as an incentive to entertain all offers, reducing the potential of homes coming into inventory. In a weaker real estate market, the home sale bonus combined with a list price cap effectively encourages homeowners to set a realistic list price from the outset of the process.

Spouse / Partner Transition Assistance

Companies today rarely offer spouse/partner transition assistance for domestic moves. With a full-employment economy and the possibility of remote work arrangements, it is simpler today for spouses/partners to continue their careers or maintain their current position in the new location.

While the primary focus of this support has traditionally been on the spouse/partner's career, it is essential to recognize their significant role in the relocation's overall success. Beyond career counseling, this assistance facilitates adjustment to the new location, encourages engagement in meaningful activities that align with the local culture and community, and helps the spouse/partner cope with the stress and challenges associated with the move. At the very least, access to an Employee Assistance Program should be provided and discussed with the employee and their family.

Pet Transportation Assistance

Until recently, it was rare for companies to provide pet transportation services as a standalone benefit. Yet according to Forbes, two out of three U.S. households own a pet, and most pet owners consider their pets part of their family. Facilitating the transportation of beloved animals is an essential aspect of a comprehensive relocation program.





Employers that offer a miscellaneous expense allowance often advise transferring employees to use a portion of these funds to move their pets. However, as pet ownership has grown, more employees expect their employers to provide pet transportation assistance as a defined, standalone benefit.

Last Word

Effective U.S. domestic relocation programs are built on best practices designed to streamline the process, reduce employee stress, and support organizational goals and cost objectives. By implementing the best practices discussed here, organizations can enhance the success of their domestic mobility programs, contributing to improved talent acquisition and retention, more cost-effective moves, and greater overall employee satisfaction.



TRC Global Mobility Services

Get more information on how TRC can help with your company’s employee relocation needs.

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