I don't know about you, but mobility does scare me because of the expanded attention by various state and federal agencies that this subject has received. Each company handles employee mobility differently from not tracking mobile employees at all to extensive reporting programs. Incorrect tracking or pro-rating of gain can result in the tax man knocking at the company's door as well as the employee's! Making sure that mobility is done correctly requires accurate inter-departmental cooperation that doesn't always exist.

This article applies to state-to-state transfers as well as country-to-country transfers. I will not address expats in this article as that is an entire subject within itself.

Many companies use outside vendors to track and maintain their mobile programs, but even if your company has contracted with a vendor, stock administration will be required to supply data to that vendor on a regular basis.

What are several of the important pieces of data that require accurate reporting?

Addresses: Maintaining employee work and residence addresses in your stock administration software is extremely important information to ensure your tax withholding data on any transaction is correct. This will impact your payroll department reporting, expense information for your accounting department and an employee's individual tax return. Make sure you have good communication with your HR Department or Global Mobility Department and are being updated with employee work and resident addresses on a regular basis.
Some software vendors currently track both resident and work addresses. You can indicate which type of address it is for each employee and it makes tracking much easier. An effective date for each address is noted so that any vesting of an equity award can be tied back to when the employee was in a particular state or country.

Taxes: To effectively manage taxes for mobile employees internally, your stock administration software must be able to allow the setup of transfer taxes that are prorated for the amount of time the employee was specifically in a country. For example, an employee is granted an RSU while in Germany and then transfers to the UK when the RSU is 50% vested. Check to make sure there is no reciprocity tax agreement between these two countries. If not, you would want to prorate the percentage of tax payable to Germany and the percentage of tax payable to the UK on the second 50% of the vesting of the RSU. The same applies to state-to-state transfers and prorating taxes.

If you are responsible internally for managing mobile employees within your stock administration software, you may want to discuss mobility with your internal or external legal counsel to obtain specific tax information for each state and country in which you have mobile employees and the tax percentages that must be withheld on each type of equity award granted. Remember to include your payroll representative in these discussions so that their input is also considered.

Accounting: Your accounting department are the professionals when it comes to determining any expense associated with the grant or vesting of any equity awards. Bring them into the employee mobility program if they are not already involved. However, it is stock administration's responsibility to maintain accurate records.

Mobility can be scary, especially if departments don't work together to keep one another informed. It is vital to communicate across departmental lines to ensure that everyone who is involved in the process receives updated and timely information regarding mobile employee information. Once this is accomplished, mobility won't be quite as scary.

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