



# 2024 Americas Global Employer Services Summit

Conducting US payroll for the complex workforce

# Introductions



**Laura Edell**  
Principal  
Deloitte Tax LLP



**Shivani Joshi**  
Partner  
Deloitte Canada



**Susan Leal**  
Managing Director  
Deloitte Consulting LLP



**Shandra Moulton**  
Principal  
Deloitte Tax LLP



**Jason Russell**  
Managing Director  
Deloitte Tax LLP

# Learning objectives

## Conducting US payroll for the complex workforce

Navigating the US payroll operations ecosystem continues to be a challenge for organizations and employees, especially when it comes to cross-border, remote, and hybrid arrangements. An efficient, effective operational model is key to managing risk, reducing costs, and enhancing the customer experience. As payroll models continually evolve, mobility and rewards leaders need to stay informed and ready for future transformation.

In this session, we'll:

- Discuss US employment tax compliance strategies, with a focus on domestic relocations, hybrid, and remote workers
- Share a payroll transformation journey via a case study
- Provide insights on operational considerations for payroll technology migrations and/or upgrades

# Agenda

- Trends
- An illustrative case study
- Campfire stories: Key areas of focus, risk and opportunity for complex employees
- What's next?

# Trends

## Key drivers for change



US payroll operations continue to be a challenging ecosystem for organizations and employees alike, especially for those who work across domestic and global borders or enjoy remote or hybrid arrangements.



### Exponential payroll market growth

Payroll, HR solutions and services market in the US is expected to grow from \$7B in 2022 to \$50B by 2030\*



### Resourcing expectations

US payroll operations outpace rest of the world by 600 employees per payroll FTE.\*\*



### Emergence of complex employees

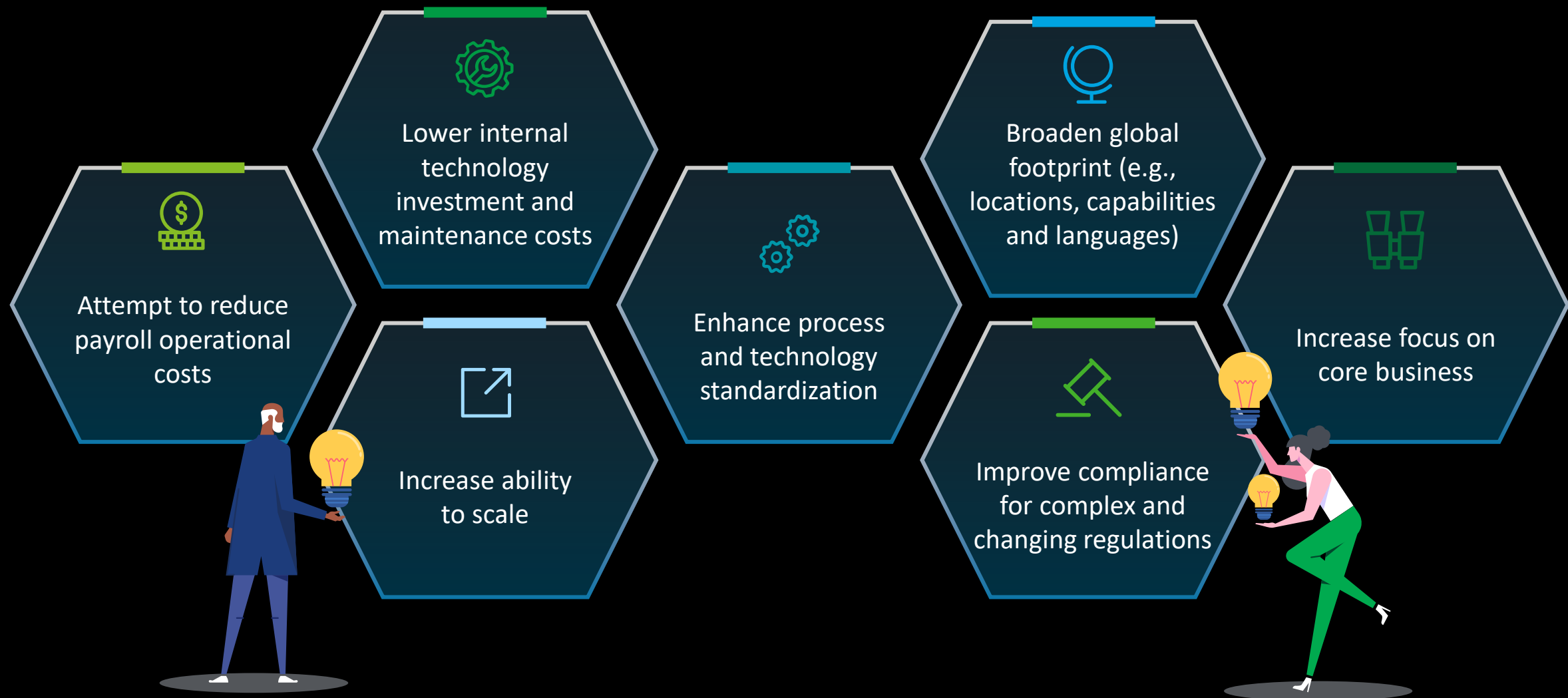
Employee agency is driving alternative work locations and hybrid/remote models

\*Global industry analysts – March 2023 report

\*\*Deloitte Global Payroll Benchmarking Survey Sponsored by APA and GPMI (Global Payroll Management Institute) – February 2021 - <https://www2.deloitte.com/us/en/pages/human-capital/articles/payroll-operations-survey.html>

# Trends (cont.)

## Payroll outsourcing considerations



# Trends (cont.)

Future of payroll technology considerations

Touchless Payroll Administration uses Machine Learning to

SELF-HEAL MASTER DATA

 and 

REDUCE HUMAN INTERVENTION

in payroll processing, creating an 

AUTONOMOUS PAYROLL PROCESS

 AI & ML technologies have the potential to make payroll processing...more efficient *and* more accurate



## Campfire stories:

Key areas of focus, risk and opportunity  
for complex employees



# PAYROLL STRATEGY & OPERATIONS



# REGULATORY ENVIRONMENT



US & CANADA



# EQUITY AND INCENTIVES



# Hot topic #1: New T+1 rule

## Background & developments

- Current SEC transaction settlement cycle is T+2
  - Securities trades must be settled within two business days
- In February 2023, SEC rule reduced settlement cycle to T+1, effective May 28, 2024
- IRS administrative waiver of late deposit penalties on Options and RSUs is available, provided:
  - Taxes deposited within 1 business day of the settlement date, and
  - Settlement occurred within 2 business days of Option exercise or RSU payment initiation (tracks T+2)

## Takeaway

- Shorter T+1 settlement period puts pressure on the timing of processing tax withholding and compliance with the IRS “next day” \$100,000 deposit rule
- Companies need to plan for potentially more rapid processing of US payroll taxes on equity award transactions
  - Unless IRS amends administrative waiver
- IRS definition of “RSU payment initiation” is earlier than “settlement date”
- Cash flow concerns for smaller companies that use “sell to cover” withholding methodology

## Hot topic #2: New FICA sourcing for RSU rule

### Background & developments

- The US tax code and Treasury regulations provide specific sourcing rules for federal income taxes, but do not provide specific rules for sourcing FICA tax to equity or cash-based compensation earned over a multi-year period in the US and outside the US.
- On July 7, 2023 the IRS published Chief Counsel Advice 202327014 (CCA)
  - RSU income earned by Citizens and Residents while working in the USA is subject to FICA
  - RSU income earned by Citizens and Residents while working outside the USA is not subject to FICA
  - Employers must determine a “reasonable” sourcing method to determine wages subject to FICA

### Takeaway

- FICA taxes are Employer responsibility, and even individual responsibility of certain executives
- Totalization Agreements & COCs play a major part in determining if sourcing is required
- While employers can determine a “reasonable” method, the CCA provides that the income tax sourcing rules are “reasonable” and can be used for purposes of sourcing FICA
- The CCA does not address the FICA tax treatment of Non-Residents who perform services in the US and who are employed outside the US when RSUs become subject to FICA

What's next?



Questions?





This presentation contains general information only and Deloitte is not, by means of this presentation, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This presentation is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte shall not be responsible for any loss sustained by any person who relies on this presentation.

As used in this document, “Deloitte” means Deloitte Tax LLP, a subsidiary of Deloitte LLP. Please see [www.deloitte.com/us/about](http://www.deloitte.com/us/about) for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.

Copyright © 2024 Deloitte Development LLC. All rights reserved.