

Workforce strategy: Tax considerations for a sustainable, effective plan

Understand tax costs to maximize returns on your workforce investments

Whether it's remote work, fringe benefits, or equity pay, the tax costs of compensation and benefit offerings do not have to stand between your organization and a successful, sustainable workforce strategy. In fact, understanding the tax implications can help you align your compensation philosophy with your business objectives and what your workers value.

The [tax planning and compliance considerations](#) are often complex, so we have curated these insights to help foster your understanding. Because when your organization thoughtfully considers its options for compensating, incentivizing, recruiting, and retaining employees, you commit to cultivating a workforce that differentiates your organization in the marketplace and positions it for long-term success.

COMPENSATION PHILOSOPHY

Maximize employee performance to optimize business success

A compensation philosophy amounts to a set of practical principles designed to maximize employee performance in roles that drive overall business performance. An organization that defines its [business goals and key drivers](#) can home in on the roles required to achieve its objectives, and then on the compensation and benefit offerings necessary to attract and retain talented employees for those roles.



Being a CFO in some industries is more difficult than in others. Maybe you have international operations. So, how much does your CFO contribute to your bottom line? Now think about the range of applicants. Do you need somebody really good, or just above average? And how much are you willing to pay?

Mark Ritter,
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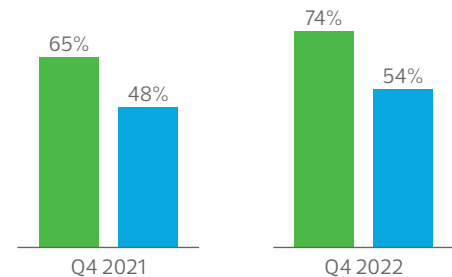


REMOTE WORK AND HYBRID WORK

Flexibility enabled by tax planning and compliance

As workers convey their preferences for the flexibility allowed by remote and hybrid work, employers that understand the compliance costs of such arrangements can assess their value to the business's overall workforce strategy. A sustainable plan for remote or hybrid work should comply with state and local laws. This involves tracking employees' locations, understanding reciprocal agreements between states where applicable, and meeting reporting and withholding requirements for every jurisdiction in which they take on tax obligations.

Employee working remotely, which of the following is your organization currently doing or considering?



- Employees work remotely partly and in the workplace partly
- Remote work is a permanent option for some employees on a full-time basis

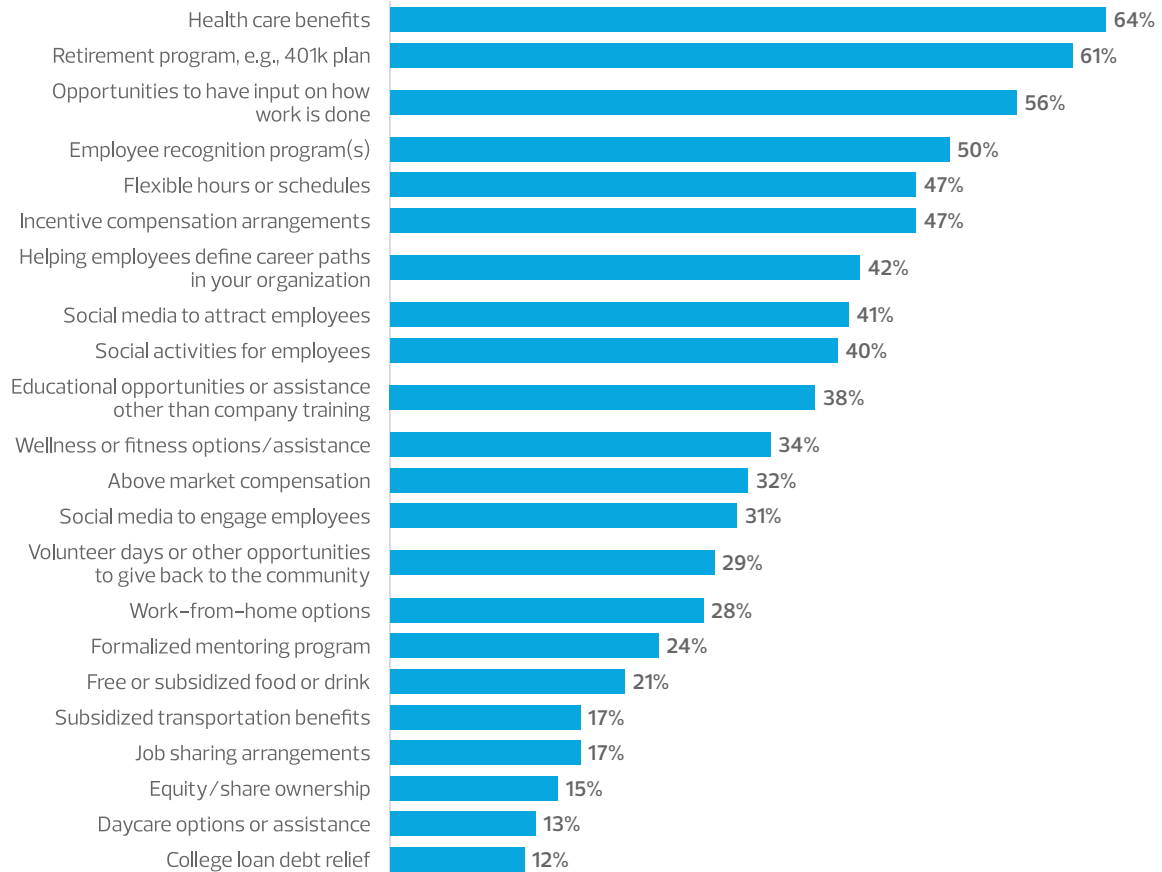
Source: RSM US Middle Market Business Index, Q4 2022

FRINGE BENEFITS

Tax-efficient support of creativity in compensating workers

Cash may be king, but it's not the only way to compensate an employee or make them feel valued. Fringe benefits are an opportunity for a company to be creative, respond to workers' preferences and differentiate itself in the labor market. Regardless of whether the benefits involve relatively high dollar amounts, such as 401(k) contributions or health insurance, or are less expensive, like transportation subsidies or education assistance, delivering them tax-efficiently can improve the return on the company's investment.

Which of the following, if any, does your organization currently offer to attract or retain employees?



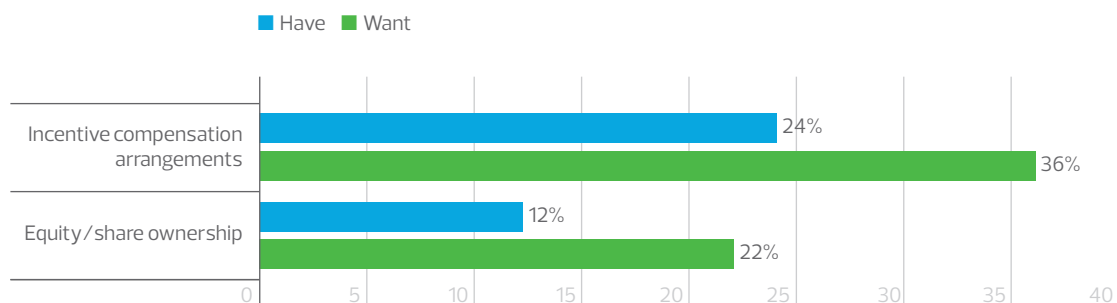
Source: RSM US Middle Market Business Index, Q4 2022

EQUITY PAY AND INCENTIVE STRUCTURES

Driving performance of key employees

Equity-based incentives can effectively support organizational performance when they are designed for executives and key employees who truly drive the business. Some inherent complexities, though, such as the value of stock in private companies, can create a lack of transparency that undermines the incentivizing force.

What do middle market employees want?



Source: RSM/Big Village survey, Fall 2022

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