

# Welcome

The program will start promptly at **11:00 AM**.

Please note:

Use the **Q&A function** to speak with the administrator if you experience any technical issues while logging into WebEx. For the best audio quality, **please call-in by phone vs. connecting via your computer.**

**Call: 415-655-0002**

**Access code/event number: 620 200 624**



# Unraveling the Complexity of Expatriate Taxation

How Employers Can Achieve Compliance and Promote Employee  
Satisfaction

*June 7, 2018*



*Presented by:*

**Kathleen Curtis Fiskin, EA, LPA, ATA**  
*Principal, Outsourced Accounting & Advisory Services*

**Troy Turner, CPA**  
*Tax Partner*

*Moderated by:*

**Jennifer Disharoon**  
*Director of Marketing*

# Housekeeping

## *General Information/Technical Questions*

---



We strongly recommend that you connect by phone instead of your computer for the best audio quality.

Call **415-655-0002**. The event number is **620 200 624** and the password is **GRF2018**.



Please use the **Q&A function** for any technical questions, or you may contact WebEx with the event information above at 866-229-3239.



This presentation will be recorded and made available to download at [www.grfcpa.com/webinars/](http://www.grfcpa.com/webinars/)

# Housekeeping

## *CPE Credit*

- **Important:** Three (3) CPE words will be provided during the presentation. Please write them down – we will not provide them again via WebEx or email (no exceptions).
- Please complete the electronic survey that will appear automatically at the end of the webinar. **Turn off your pop-up blocker** (leaving it on could block the survey).
- Attendees seeking CPE for this presentation must complete the survey and enter all three CPE words. You cannot claim CPE unless we receive a completed evaluation with the correct words.
- Technical questions about the survey can be addressed to Dominic Acosta at [dacosta@grfcpa.com](mailto:dacosta@grfcpa.com)

# Housekeeping

## Webinar Objectives

---

### Learning Objective

*To understand the requirements and implementation of Expatriate Taxation*

### Instructional Delivery Methods

*Group Internet-based*

### Recommended CPE

*1.0 CPE*

### Recommended Fields of Study

*Tax*

**Prerequisites**  
*None required*

**Advance Preparation**  
*None*

**Program Level**  
*Basic*

**Course Registration Requirements**  
*None*

### Refund Policy

*No fee is required to participate in this session.*

### Cancellation Policy

*In the event that the presentation is cancelled or rescheduled, participants will be contacted immediately with details.*

### Complaint Resolution Policy

*Gelman, Rosenberg & Freedman CPAs is committed to our seminar participants' 100% satisfaction and will make every reasonable effort to resolve complaints as quickly as possible. Please contact [kdavis@grfcpa.com](mailto:kdavis@grfcpa.com) with any concerns.*

# Presenters

---



**Troy Turner, CPA**

*Tax Partner*



**Kathleen Curtis Fiskien, EA, LPA, ATA**

*Principal, Outsourced Accounting & Advisory Services*

# Today's Agenda

---



Organizational Ex-  
Pat Strategy



Expatriate Taxation



State Taxation



Taxation of  
Overseas  
Allowances



Host Country  
Taxation



Foreign Bank  
Account Reporting  
(FBAR)



Q & A

# Organizational Ex-Pat Strategy

---

*Why are we having this discussion?*



# Organizational Ex-Pat Strategy

*Discuss your organizational strategy proactively*

Employer concerns focus on developing strategies, policies and reporting systems to address: compliance, reporting to funding sources and to keep employees satisfied and productive while working overseas.

- Who makes up your team and who has the lead?
- What documentation/information does your organization provide before, during and after the assignment?
- How will you address compliance issues of the US and host countries proactively?
- How will the new Trump Tax Cuts impact your organization and your employees?
- Know the types of individuals who become your overseas employees: US Ex-pats (incl. green card holders), TCN's, dual citizens; and how do you keep track of their assignments and the length of assignments?
- Know what presence you have in each country, the visa processing and each host country's taxation issues
- **GOAL:** *Limit surprises*

**GELMAN, ROSENBERG**

**& FREEDMAN** *Certified Public Accountants*

# Expatriate Taxation

---

*Why are we having this discussion?*

# Worldwide Income Tax Reporting

---

The primary tax concern for expatriates is **double taxation**.

- Potential remedies:
  - Foreign Earned Income and Housing Exclusion
  - Foreign Tax Credit
  - Tax Treaties and International Agreements

# Foreign Earned Income Exclusion

## *Requirements*

---

- ✓ Tax Home Overseas; **and**
- ✓ Meet the Physical Presence Test (330 Full Foreign Days), **or**
- ✓ Meet the Bona Fide Residence Test (Facts & Circumstances)

# 2018 Amounts

---

- FEIE – \$104,100
- Housing Exclusion Standard Expense Cap – \$31,230
- Housing Exclusion Floor – \$16,656
- Maximum Standard Net Housing Exclusion – \$14,574
- Maximum Combined Exclusion in Standard Cost City – \$118,674
- High Cost City – Expense Cap can be up to \$114,300 (2017 Cap for Hong Kong)
- Both exclusions prorated in year of move

# Forms & Resources

---

- ✓ 673 – Exemption from income tax withholding
- ✓ 2555 – Foreign Earned Income Exclusion
- ✓ IRS Publication 54

# Poll Question #1

---

Does your organization provide for professional tax advice or tax filing assistance for your Expat Employees (initial consultation, annual allowance, reimbursement for actual cost, direct payment to a tax professional)?

- A) Yes*
- B) No*
- C) No, but we're planning to*

# State Taxation

---



# State Taxation

## *Domicile*

---

- Maintain current state of domicile
- Domiciliary Resident Taxation
  - Worldwide Income – Federal conformity
  - Worldwide Income – Nonconformity
  - Nonresident Taxation – State source only
  - No income tax

# State Taxation

## *Domicile*

---

- Change Domicile
  - To another state
  - To a foreign country (more difficult)
  - In both cases one must generally cut ties with their current state and take actions to create ties in the other jurisdiction

# State Taxation

## *HR Issues*

---

- The requirement for a home/state of record for payroll reporting
- Employees providing a new state (with no taxation) when they leave the country
- Employees claiming no state when they leave the country
- Get documentation
- Review reporting requirements for each state
- Do not default to reporting wages to the state where the headquarters are located

# Taxation of Overseas Allowances

---

# Overseas Allowances

---

- Decide what allowance should be part of your typical compensation package
- Document what allowances are taxable and provide this information to your employees during the hiring process
- Provide timely statements to your employee detailing ALL their taxable income and taxes withheld throughout the tax year

**GOAL:** *No W-2 surprises*

# Typical Allowances in a Compensation Package

- Base salary
- Cost of living allowance/post differential
- Housing allowance
- Security allowance
- Danger pay/hardship allowance
- Education allowance
- Separate maintenance allowance
- Settling-in allowance
- Home leave
- R&R, TQSA, Auto
- Relocation Cost



# Impact of Trump Tax Cuts on Your Organization

*How can you minimize the impact?*

---

## Highlights

1. The new tax package no longer allows organizations to pay tax free moving expenses for employees.
  - a) As a result, will your organizations see a significant increase in their domestic and international relocation costs?
  - b) How will your organization minimize the impact to those in the field right now and minimize the impact on your present grants/contracts?
  - c) What dialogue have you had about this issue? How will this impact your present HR and Accounting policies?
  - d) What impact will this change have on your future hiring of international employees and/or consultants?
  - e) How will this issue the impact of your compensation package?

# Impact of Trump Tax Cuts on Your Organization

*How can you minimize the impact?*

---

2. Expats will still be subject to dual taxation: Unlike the changes the Trump Tax Cut made regarding US Corporations, Expats will be subject to host country taxes and US taxation—and in some countries Expats must pay into two social security systems, unless there is a Totalization Agreement in place.
3. Expat US Citizens will no longer be able to deduct foreign real property taxes (personal property taxes ie, automobiles, computers, equipment, etc. ) on their US tax returns, unless they are used in a trade or business.



# Impact of Trump Tax Cuts on Your Organization

*How can you minimize the impact?*

---

4. The new tax package increases the standard deduction (\$24,000 for married couples and \$12,000 for a single taxpayer). Many tax experts expect this is more likely to benefit higher paid Expats than domestic taxpayers, since many Ex-pats do not itemize deductions.
  - a) This change in standard deducts will most likely effect Tax Equalization, Tax Protection or Hybrid Protection Plans.

# Poll Question #2:

---

Has your organization begun addressing the taxability of Relocation Costs?

- A) Yes
- B) No
- C) No, but we are planning to

# Host Country Taxation

---

*Organizational Tax Policies*

# Host Country Taxation (HCT)

---

- Assume your employees will be taxed overseas unless they meet certain exception(s): Tax Treaty, Bilateral Agreement, MOU, etc.
- What are the typical tax policies available to your organization? (Tax protection, tax equalization, hybrid, or other)
- What are the advantages and/or disadvantages of each policy?
- Has your leadership team done a “risk analysis” regarding HCT in the countries where your organization works?

**GOAL:** *No surprises*

# US Taxation of Salary, Allowance & HCT Impact

## *Illustrative Example – 2018 Tax Rates*

| Description               | Domestic   | Expat          |
|---------------------------|------------|----------------|
| Salary                    | \$85,000   | \$85,000       |
| Housing                   | N/A        | \$41,700       |
| Post Differential         | <u>N/A</u> | <u>\$9,010</u> |
| <b>Total Compensation</b> | \$85,000   | \$135,710      |

| Description               | Domestic          | Expat      |
|---------------------------|-------------------|------------|
| Cash Compensation         | \$85,000          | \$94,010   |
| Less Host Country Tax     | N/A               | (\$39,813) |
| Less US Taxes             | <u>(\$17,431)</u> | <u>\$0</u> |
| <b>Net Cash Available</b> | \$67,569          | \$54,197   |

# Poll Question #3

---

Does your organization have a Host Country Taxation Policy? If not, is your organization considering one?

- A) Yes, we have one
- B) No, we don't have one – but are considering one
- C) No, we don't have one and aren't considering one

# Foreign Bank Account Reporting

---

*FBAR Form 114*

# Foreign Bank Account Reporting

## *FBAR Form 114*

---

- Filed annually and electronically via tax software or online at <http://bsaefiling.fincen.treas.gov/main.html>
- Filing threshold \$10,000 in combined account value
- Know who needs to file – **US Citizens/tax residents** who have a financial interest in or signature authority over a foreign financial account or **Entities** created or organized in the US or under the laws of the US
- Six year statute of limitations
- Reporting requirement disclosed on your personal/entity tax filing
- Penalties for late/not filing (abatement available for reasonable cause)
- Organizational help for employees with signature authority



# Questions?

---

*We'd like to take a few minutes to hear from you*

# Join us again

*July 10, 2018, 11:00am – 12:00pm*

***GRF Nonprofit Tax experts will provide an update with clarifications from the IRS on the impact of the new tax law on nonprofit entities (webinar)***

*Registration will be opening shortly at [www.grfcpa.com/resources/events](http://www.grfcpa.com/resources/events)*

# Get In Touch



4550 Montgomery Avenue,  
Suite 650N, Bethesda, MD 20814  
(301) 951-9090

-  [www.grfcpa.com](http://www.grfcpa.com)
-  [twitter.com/grfcpas](https://twitter.com/grfcpas)
-  [facebook.com/grfcpas](https://facebook.com/grfcpas)
-  [linkedin.com/company/gelman-rosenberg-&-freedman-cpas](https://linkedin.com/company/gelman-rosenberg-&-freedman-cpas)
-  [instagram.com/grfcpas/](https://instagram.com/grfcpas/)

**Troy Turner, CPA**  
[tturner@grfcpa.com](mailto:tturner@grfcpa.com)  
(301) 951-9090

**Kathleen Curtis Fiskien,  
EA, LPA, ATA**  
[kfiskien@grfcpa.com](mailto:kfiskien@grfcpa.com)  
(301) 951-9090