



FOR IMMEDIATE RELEASE
ALL HANDS – THEATER WIDE

Expat Tax Alert – Important Tax Issues

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RETIREMENT ACCOUNTS - The number ONE tax saving strategy while working overseas is to maximize your contributions to your employer-provided 401(k) retirement account.

- If your company offers a 401(k) plan, I recommend the following: contribute the maximum annually; do catch-up contributions to the max. If you are unsure whether your company has a plan – Ask your HR or Payroll department.
- Seeing is believing! Tax dollars saved per tax bracket could be – 15%:\$2,250, 25%:\$3,750, 28%:\$4,200 and 33%: \$4,950. That's cash in your pocket and savings for a comfortable future.
- In addition to the tax savings mentioned above most companies match your contribution. This is like getting free money and it all grows tax deferred until you reach retirement age. No other investment provides the kind of returns on initial investment like a 401(k) plan.
- Traditional IRA – if your employer doesn't offer a 401(k) plan a Traditional IRA could save you \$750-\$1,650 per year.
- Roth IRA – not recommended for Expats due to income limitation rules – consult your advisor.

CRUISES - In the past, cruises from US ports were acceptable as foreign days abroad. Now they count against your days in the US. If you must go on a cruise, make sure it departs from a foreign port-of-call and returns to a foreign port-of-call with no stops in USA, US possessions or US territories. The IRS puts more weight on the 330 foreign day rule than they do on 35 days or less in the US. Remember - a foreign day starts at midnight and runs 24 hours.

DID YOU BUST YOUR PRESENCE TEST? - Many clients contact me this time of the year to tell me "Steven I busted my days". Keep in mind that although you may have exceeded 35 days in the US in a calendar year, that doesn't necessarily mean you busted your days and lost all of your exclusion.

- The **Rule of Thumb** is that you must have 330 full days in a foreign country every twelve months. You can pick the twelve- month period that benefits you the most; it does not always have to be a calendar year or contract to contract period (although those are the most common periods). However, keep in mind, that you will want to maximize the qualifying foreign days in the current tax year, as those are the only ones that provide exclusion of income for tax purposes.
- Next month's *Expat Tax Alert* will cover the presence test in much more detail. In the meantime, contact us if you have any questions.

FICA TAXES - Mid-year 2008 brought serious changes for employees of foreign subsidiaries of US companies with USG contracts. In the past, a majority of Expats have not had to pay Social Security and Medicare taxes (FICA), but they do now. Prior to us emailing a FICA update most Companies sent out guidance on the subject, therefore our update was no longer necessary, however, if you still have questions or concerns please email us.

- Non-Clients – if you received a W-2 with no FICA withholding, but paid FICA taxes with your tax return, then you may be able to amend prior years and seek a refund. Typically the refund will be several thousand dollars. If you know a co-worker who unknowingly, may have paid this tax, please share this alert with them.

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