

Nefesh B'Nefesh Aliyah Fair U.S. Tax Perspectives



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Post-ALIYAH Tax Return Filing Requirements

- **Federal (Form 1040)**
- **State/City**
- **Israel**



Rental/Sale of U.S. Residence

RENTAL of U.S. Residence

- Reporting issues
- Tax issues

SALE of U.S. Residence

- Reporting issues
- Tax issues
- Timing is (almost) everything



Foreign Earned Income Exclusion Myths & Facts

- No reporting? No tax?
- Tax ramifications
- Limits
- Sanction for non-filing
- “Invisible” friends (thumbs-down)



U.S. - Israel Tax Treaty

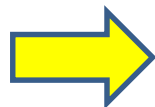
- No double-taxation
- “Sourcing” of income
- Country-specific tax benefits



Additional Child Tax Credit (cake and eat it too?)

General Criteria:

- 1) U.S. citizen parent
- 2) Child(ren) under the age of 17*
- 3) Taxable Earned Income



The Tax Cuts & Jobs Act of 2017
further increases benefits in 2018!

* SSN must be issued by filing deadline



Self-Employment Income/Tax: Issues, Solutions, etc.

- Did you say 75% tax?
- Form Israeli corporation
- “Convert” self-employed into employee
- “OSTRICH” approach (thumbs-down)
- Silver lining?



Social Security Benefits (free lunch?)

- **General Rule: up to 85% taxable in U.S.**
- **U.S. - Israel Tax Treaty Benefit:**

➔ Nontaxable in BOTH countries ←



Additional Reporting Requirements

“FBAR” (Foreign Bank Account Report)

- **WHO** US persons with ownership &/or signatory rights over financial accounts (\$10K* aggregate value)
- **WHAT** Annual April 15 filing requirement (automatic extension to Oct. 15)
- **WHY** Compliance requirement, but...
- **PENALTY** Up to \$10,000 penalty for NON-willful noncompliance

*Note: IRS Form 8938 may apply for higher thresholds



Add'l Reporting Requirements (cont'd)

Foreign Corporations - FORM 5471

- **WHO** Shareholders, directors & officers of certain foreign corporations
- **WHAT** Form 5471 filing requirement (attach to U.S. tax return)
- **WHY** Primarily a compliance requirement
- **PENALTY** \$10,000 for late filing

