IMF Retiree Association
Income Tax Seminar
April, 2026

Dale Mason, CPA & Co.

Jose Sobrado, MG Capital Partners, LLC

Disclaimer

The United States tax law is the most complex in the world. Nothing in this presentation should be construed as tax, financial or legal advice.

Please seek professional tax, financial, and/or legal assistance based on your own specific set of facts and circumstances.

Agenda

- Income Tax Residency
- Tax Changes for 2025 Tax Returns
- Foreign Financial Asset Reporting
    - IMF Pensions
- The Exit Tax

Tax Residents
Taxed on Worldwide Income

- U.S. Citizens (Always U.S. Tax Residents)
- U.S. Lawful Permanent Residents (GCH)
- Substantial Presence Test
- 6013(g) Tax Residents

Green Card Test of Residency

- Green Card - U.S. Tax Residency Start Date:
  - 1st day in the U.S. with a valid Green Card
  - Otherwise, Jan. 1st of the following year
- Tax residency starts the earlier of the Substantial Presence Test or the Green Card Test

Substantial Presence Test
"183 days" that count

- Days in the U.S. by reason of full-time employment with an international organization are exempt from counting for purposes of the Substantial Presence Test of Tax Residency
- Days in the U.S. are also generally exempt from counting for G-4 dependent spouse and G-4 dependent unmarried children under 21 years old

Substantial Presence Test

Formula: If 183 days or more then generally a U.S. tax resident

(At least 31 days in the United States)

100% of days present in the U.S. during the current year

+

1/3 of days of U.S. present for first preceding year,

+

1/6 of days of U.S. presence for the second preceding year

Tax residency begins on the first day of presence that “counts” during the calendar year

6013(g) Election

- G-4 nonresident married to a U.S. person may elect to be a U.S. tax resident for purposes of filing jointly with their U.S. spouse
- Election may be made once and revoked once
- G-4's compensation income from Int. Org. continues to be tax exempt
- G-4's worldwide income is subject to U.S. taxation
- U.S. person gets the benefit of joint filing tax rates and higher standard deduction

SPT Recent G-4 Retirees

- Days of presence in the U.S. start on the first day of retirement in the U.S. (no longer full-time employee of an I/O)
- If SPT is met in a calendar year, 1st day of presence in the U.S. (that counts) in that calendar year is the tax residency start date
- Many retirees will become tax resident in the U.S. under the Substantial Presence Test prior to the Green Card Test
- Quarterly estimated payments must begin in the first year of tax residency

Reporting Your Worldwide Income

- U.S. citizens, Green Card Holders and other U.S. tax residents must report income derived anywhere in the world on Form 1040
- Double taxation typically avoided by foreign tax credits, regardless of whether the U.S. has a tax treaty with the foreign country
    - However, foreign tax credits (FTC) generally not allowed at the state level!

Form 1040

- U.S. tax residents (U.S. citizens, green card holders and persons who meet the substantial presence test) must file Form 1040 on or before April 15.
  - Federal tax return may be extended (but not the tax) until October 15 – Use Form 4868
  - State returns also generally due April 15

IMF Pension

- Nonresidents are not subject to U.S. taxation on the IMF pension
- U.S. Persons are subject to U.S. taxation on the IMF pension
- Lump-Sum
  - If nonresident at the time of receiving the lump-sum, then the lump-sum is not taxable in the U.S. Cannot roll it over to an IRA.
  - If tax resident at the time of receiving the lump-sum, then the taxable portion may be rolled over to an IRA and the non-taxable portion may be rolled-over to a Roth IRA

Quarterly Estimated Taxes

- Due Dates:
  - April 15
  - June 15
  - September 15
  - January 15 of the following year

- Current Underpayment of estimated tax interest rate: 6% per Annum!
  - Complete Form 2210 if underpaid

Individual Tax Law and Main 2025 Changes

2025 Individual Tax Changes

- One Big Beautiful Bill Act (OBBBA) Passed July 4, 2025
- Changes to tax law in 2025 and future years.
- Discussion of Main 2025 changes only

2025 Higher Standard Deduction

- **Old Law:** Lower Standard Deduction
- **New Law for 2025:**
  - Married Filing Jointly $31,500
  - Single/Married Filing Separately $15,750
  - Head of Household $23,625

2025 Deductions

- Standard Deduction: $15,750 Single, $31,500 MFJ (New) **or**
- Itemized Deductions
  - Property tax and state income tax capped at $40,000 (New)
  - Interest on home mortgages limited to interest on $750,000 of principal of mortgages (old loans before 12/16/2017 grandfathered).
  - Out-of-Pocket Medical expenses exceeding 7.5% of AGI
  - Charitable contributions

State and Local Tax Deduction

- **Old Law**: State and local taxes (SALT) were deductible as an itemized deduction. Under the old law, the limit was $10,000
- **New Law**: For the year 2025 the SALT limit has increased to **$40,000** ($20,000 for Married Filing Separately taxpayers). SALT limit increases each year through 2029 and then reverts back to $10,000 in 2030.
- There is a phase-out of the deduction. The amount is reduced by 30% of Modified Adjusted Gross Income over $500,000.

Car Loan Interest

- **Old Law:** Interest on car loans has not been deductible.
- **New Law:** For 2025 through 2028 a deduction of up to $10,000 is allowed for qualified passenger vehicle loan interest. (This is an above the line deduction and not an itemized deduction)
- The deduction begins to phase-out when MAGI is greater than $200,000 (MFJ) or $100,000 (Single/MFS)
- New passenger vehicles that are used for personal purposes where the final assembly of the vehicle was done in the United States.
- Must include Vehicle Identification Number on the tax return.
- Applies to loans issued after December 31, 2024

Senior Deduction

- **Old Law:** No Senior Deduction
- **New Law:** Effective for years 2025 through 2028, individuals who are age 65 and older may claim an additional deduction of $6,000. (This is in addition to the standard deduction). $12,000 for a married couple where both spouses qualify. Available for itemizers and non-itemizers.

Foreign Financial Information Reporting

Foreign Bank Account Report – “FBAR” FinCen Form 114

Who should file:

- U.S. citizens, Green Card Holders and U.S. tax residents
  - Persons with financial interest in or **signature authority** over foreign financial account(s)
  - Aggregate value of foreign accounts exceeding $10,000 at any time during the year

Foreign Bank Account Report
Form 114

- Foreign Financial Accounts
  - Bank, savings and checking accounts
  - Securities accounts such as a mutual funds and brokerage accounts
  - Foreign annuity or insurance policy with a cash surrender value
- Filed electronically
- Due April 15 but extended until October 15 <u>automatically</u>

Specified Foreign Financial Asset Report – Form 8938

- Effective for individuals beginning in 2011
- Form 8938 included in income tax return
- This reporting requirement is in addition to the FBAR!
- U.S. citizens, green card holders and U.S. tax residents living in the U.S. threshold is $50,000 (Single) & $100,000 (Married Filing Jointly)

Specified Foreign Financial Asset Report – Form 8938

- "Specified Foreign Financial Asset"
  - Any financial account maintained by a foreign financial institution
  - Any stock or security issued by a foreign person
  - Any financial instrument/contact – foreign issuer
  - Any interest in a foreign entity

Note: No reporting of "Signature Authority" Accounts

Specified Foreign Financial Asset Report -Form 8938

- IMF Pension is a specified foreign financial asset reportable on the 8938
- IMF Pension
  - Generally, the value to report on Form 8938 is the Gross distribution reported on the Form 1099-R

Gifts or Inheritance Reporting
Form 3520

- Must report gifts or inheritances from a nonresident that is $100,000 or more in a calendar year
- Form 3520 Part IV
  - Date of gift or bequest
  - Description of property
  - Fair Market Value of property received

Civil Penalties for Not Filing Foreign Financial Reports

- Foreign Bank Account Report (Form 114)
  - Penalty > $10,000 non-willful failure
- Specified Foreign Financial Asset Report (Form 8938)
  - Penalty > $10,000
- Gifts or bequests from Nonresidents
  - Penalty generally 5% of gift or bequest up to 25%

Exit Tax
"Covered Expatriate"

- U.S. citizens who relinquish U.S. citizenship
- Green card holders who <u>cease to be lawful permanent residents</u>
    - Held green card in at least 8 out of last 15 years
    - Revoked or abandoned (not simply expired)

AND

- Meet the **Net Worth** or **Income Tax Test**

Net Worth/Income Tax Tests

- $2,000,000 or more of net worth
- Global assets minus global liabilities
- Present value of pensions (including IMF Pension) is included in net worth calculation

OR

- Avg 5-year annual income tax liability of $206,000 (2025) or more

Exit Tax on Ineligible Deferred Compensation!

- Many aspects to the Exit Tax…
- Ineligible deferred compensation (foreign pensions)
    - Present value of covered expatriate's "accrued benefit" in IMF pension **is treated as being received on the day before expatriation**
        - Actuarial value of the taxable portion of the pension is deemed to be distributed (and therefore taxed) on the day before expatriation

Services

- Tax Planning
- Exit Tax Planning
- Retirement Planning
- Financial Planning
- Investment Management
- Individual 45-Minute Consultations

Contact Information

Dale Mason, CPA & Co

Email: Dale@DaleMasonCPA.com

Tel: 571-277-7642

Website: www.DaleMasonCPA.com

Jose Sobrado, CFA

Email: jsobrado@mglobalpartners.com

Tel: 202-790-2664

Website: www.mymgcap.com