Hello and welcome to KPMG’s Mobility Matters Express.   For the next few episodes, we’re going to explore a few tax issues that inbound individuals to the United States will want to consider. By doing so, some tax traps can potentially be avoided.

The first issue to address is When does a non-US person become a US tax resident. This is a big deal because US residents are taxed on worldwide income, regardless of source, even if the US residency period is temporary and only for a year or two. On the other hand, Nonresidents are taxed only on US source income. One other point – there are all sorts of information reporting requirements that apply to US residents that do not apply to nonresidents. These reporting requirements can be quite complex, daunting, and time-consuming.

A non-US citizen is considered a US resident if he or she has a green card or is physically present in the United States for 183 “equivalent’ days, or make certain elections to be treated as a U.S. resident.

In general, US tax residency begins on the very first day of physical presence, even if not related to employment. Consider this example – an individual comes to the US on a two week vacation in January, but doesn’t start her international assignment until June. In this case, she is subject to US tax on worldwide income – and subject to the reporting requirements I mentioned - all the way back to January.   There are some exceptions for minimal days of presence and income tax treaties may provide some relief but here is the takeaway – it’s important to focus on the very first of physical presence – that’s the point where worldwide taxation (and the reporting requirements) kick in. So, best to do any tax planning prior to arrival.

Thanks for listening, and we will see you next time.