Hello and welcome. This Mobility Matters Express highlights another tricky area for non-US citizens inbound into the US. Upon becoming a U.S. resident, a foreign national's investment portfolio might turn out to contain some nasty surprises. Many mutual funds and other collective investment vehicles based outside the United States are subject to a special punitive tax regime and reporting under U.S. law.

Certain entities established outside the United States whose income is mostly passive (such as dividends, interest, capital gains), or that have a certain percentage of assets that produce,passive income, are referred to as passive foreign investment companies, or PFICs. The PFIC definition is generally broad enough to apply to most non-U.S. mutual funds, unit trusts, investment trusts, open-ended investment companies, and other similar investments commonly issued to retail investors outside the United States.

As mentioned, PFICs are subject to a special punitive tax regime and to annual information reporting requirements under U.S. law. To avoid any headaches and surprise tax costs, it is recommended that individuals review their investment portfolio with a tax or investment advisor prior to establishing U.S. residency – there are certain elections that might mitigate the rather harsh tax consequences of holding such assets and it may be desirable to consider other actions in terms of modifying one's portfolio. Again – the key is to do this PRIOR to arrival. Once someone gets here, it may be too late.

Thanks for listening, and we will see you next time. Have a great day!