Hi, I am Martha Klasing from KPMG's Washington National Tax Practice and welcome to this episode of Mobility Matters Express.

It's quite common for non-US citizens working temporarily in the United States to continue to participate in their home-country pension or retirement plans while on assignment. What can be a surprise to learn is the contributions to such plans, and potentially the earnings, may attract a US tax liability.

Although non-US pension plans may enjoy favorable tax treatment in the home country, that tax advantage status generally does not apply in the United States...

Special U.S. tax rules also apply when transferring funds from one retirement savings or pension plan to another or when withdrawing funds from the plan. A transfer or withdrawal that may be tax-free in the home country may be considered a taxable distribution in the United States.

In certain situations, an income tax treaty may allow an exemption from U.S. tax, as the United States has entered into numerous income tax treaties that address cross-border pension issues. However, tax treaties are independently negotiated and the terms of each treaty vary so it's important to review the specific language of the relevant treaty.

The takeaway? Know before you go. These rules are complicated - consult a tax advisor to determine whether any treaty relief is available. A tax advisor should also be consulted prior to taking a distribution from a non-U.S. plan, or transferring funds from one plan to another, while on a U.S. assignment, in order to avoid any surprise tax costs.

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