

Engagement Letter Addendum for Foreign Income or Assets



Taxes solved.

Thank you for using Tucson Tax Team for your tax preparation needs. Clear communication is key to a successful business relationship. The purpose of this letter is to ensure we share an understanding of the services we provide.

World-Wide Income: All income from all sources must be reported on a 1040 tax return either as a citizen or as a resident alien. Failure to report all income can result in substantial fines.

Non-Resident Alien: If you are a non-resident alien or on a special visa you might need to file a 1040NR if you have income from U.S. sources.

Wages/Contract Labor: Foreign wages and contract labor are taxable unless taxpayer qualifies for a foreign earned income exclusion. If you are self-employed, you are not exempt from Social Security and Medicare taxes unless you have a certificate of exemption from your country of residence.

Bank/Investment Accounts (non-retirement): These accounts must be disclosed on Schedule B *Statement of Interest and Dividend* income even if no interest or dividends were earned during the year.

Foreign Retirement Accounts: Taxability of foreign retirement accounts is complex. You may need to report your annual earnings; often the pension is taxable in the US when you remove it from the retirement plan. Foreign 401K's often do not qualify for wage exclusion as they do in the US.

FIN CEN: This form must be filed with the U.S Treasury by April 15 of the following year if there are investments from bank accounts, investment accounts, retirement accounts or any other investments with an aggregate total of over \$10,000 during the year. It must also be filed if you are a signatory (signer) on a foreign account – either for a relative, your employer, as a volunteer, etc.

Form 8938: This form must be filed with your U.S. tax return to report the above accounts if you exceed the filing requirements. These requirements start at \$50,000 of assets at any time in a calendar year. Tucson Tax Team will file all forms as needed with your personal tax return.

Form 3520: Taxpayers with foreign trusts or who have inheritances/gifts from foreign sources over \$100,000 must file Form 3520 by April 15th of the following year. Taxpayers who receive more than \$15,601 from a foreign corporation or partnership must also file this form.

Form 3520A: Taxpayers who have foreign retirements may be required to file this form on an annual basis by March 15th of the following year.

Form 5471/5472: Owners of foreign corporation and shareholders of certain foreign corporations must file one of these forms with their tax return by the due date of the return.

Form 8865: Partners of foreign partnerships must file this form by the due date of the return.

Form 8621: Investors or owners of Private Financial Investment Companies (PFICs) must file form 8621 and elect which taxation method to use. PFICs generally apply to most foreign mutual funds, foreign corporations and many foreign retirement funds.

Form 8858: LLC's and sole proprietors that have businesses in a foreign country may be required to fill out this information form. It is due with your personal tax return.

