

# Basic Tax Guide for Green Card Holders: Understanding Your U.S. Tax Obligations

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If you have a U.S. green card, you are a lawful permanent resident of the U.S. even if you live abroad. This means you are treated as a U.S. resident for U.S. income tax purposes and you are subject to U.S. tax on your worldwide income from whatever source derived. Accordingly, you must file a U.S. tax return unless (a) there has been a final administrative or judicial determination that your lawful permanent resident status has been revoked or abandoned, (b) your gross income from worldwide sources is less than the amounts that require a tax return to be filed, or (c) your U.S. residence status is affected by an income tax treaty.

## **What if my green card has been taken by or given to someone in the US government?**

If you've surrendered your green card, this doesn't necessarily mean that your status as a lawful permanent resident has changed. Your status will not change unless and until you get an official notice from the U.S. Citizenship and Immigration Service (USCIS) that there has been a final administrative or judicial determination that your green card has been revoked or abandoned. You can contact the USCIS to check the status of your card.

**What If I Have Been Absent From The U.S. For A Long Period Of Time?** Your tax responsibilities as a green card holder do not change if you are absent from the U.S. for any period of time. Your income tax filing requirement and possible obligation to pay U.S. taxes continue until you either surrender your green card or there has been a final administrative or judicial determination that your green card has been revoked or abandoned. Therefore, even if the U.S. Citizenship and Immigration Service (USCIS) no longer recognizes the validity of your green card because you have been absent from the United States for a certain period of time or the green card is more than ten years old, you must continue to file tax returns until there has been a final determination that is not subject to appeal that your green card has been revoked or abandoned.

**What if I haven't filed prior U.S Income Tax Returns?** If you have not filed a U.S. income tax return for one or more years and there is no tax liability for any of those years, you should file returns for the current year and two prior years. However, if you have not filed a U.S. income tax return for one or more years and any income tax is due for any of those years, you should file returns for the current year and five previous years.

**What if I have income taxes withheld from income I received from the U.S.?** When an entity in the U.S. makes a non-wage payment (like social security or pension payments) to a nonresident alien, it is required to withhold 30% of the payment (only 85% of a social security payment is subject to the 30% tax) and forward it to the IRS. When an entity in the U.S. sends a payment to a green card holder who lives outside the U.S., it generally should not withhold the 30% tax. If this tax is withheld in error because you have a foreign address, you should notify the payer of the income with a Form W-9 to stop the withholding and you can claim a refund of the tax withheld in error.

**What if I'm living in another country? Do I have to pay taxes to both the U.S. and the country where I am living?** A green card holder is considered to be a resident of the U.S. for U.S. income tax purposes and is therefore subject to U.S. taxes on worldwide income. If there is no income tax treaty between your country of residence and the U.S., you must pay taxes to both countries. You generally will get a tax credit against either your U.S. taxes or your foreign income taxes, depending on your particular circumstances, so you will not be subject to double taxation.

If the country where you are living has an income tax treaty with the U.S., the treaty may contain so-called "tie-breaker rules" to determine which country will be treated as the country of your residence for income tax purposes. Usually, the location of the individual's permanent home or the center of the individual's vital interests determines resident status. If you are a resident of the treaty country under the tie-breaker rule and you elect to apply the treaty, you will be considered to be a resident of the treaty country for U.S. income tax purposes and will not be required to file a Form 1040. To make this election, you must file a U.S. Nonresident Alien Income Tax Return (Form 1040NR) in the year of the election and attach a copy of Form 8833 (Treaty-Based Return Position Disclosure under Section 6114 or 7701(b)). Green card holders who reside in a country that has an income tax treaty with the U.S. should contact an income tax professional or an office of the Internal Revenue Service for assistance.

**What If I Surrender My Green Card?** Generally, if you surrender your green card during the taxable year, your tax status as a resident alien will terminate on the last day of that calendar year. However, if you can establish that, for the remainder of the calendar year, your tax home is in a foreign country or you maintain a closer connection to that foreign country than to the United States, your residency termination date will be the date you surrender your green card.