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NEWSLETTER
January 2015

SUMMARY AND UPDATE

File your Foreign Bank Account Report (FBAR)!

If your aggregate foreign (including Japan) bank accounts and investment accounts totaled \$10,000 or more at any time during 2014 you must file by June 30, 2015.

This year the Treasury Department is insisting that all FBARs be filed electronically. There is no paper way to file. This is scary because of all of the confidential information disclosed. I suspect that many of my clients will refuse to file electronically because they do not trust the government to protect their information.

To request an exemption from electronic filing call 01-313-234-6146. This is not toll free, so use Skype or other free method.

For electronic filing go to <http://bsaefiling.fincen.treas.gov/main.html>

In addition to the FBAR report, Americans living overseas must comply with the new FATCA reporting requirements. Form 8938 must be filed if:

Single taxpayers: you have more than \$200,000 in foreign (including Japan) financial assets on the last day of the year, or over \$300,000 at any time during the year.

Married filing joint: you have more than \$400,000 in foreign financial assets on the last day of the year, or over \$600,000 at any time during the year.

If you have made illegal IRA contributions, you may be able to appeal to the Taxpayer Advocate Service in the IRS to make a special exception to the penalties.

TAX PREPARATION FEES

I do not have a fee schedule because each tax return requires a different amount of time and expertise. For new clients I request information on the approximate amounts and sources of income that allows me to estimate a fee based on the work required. No charge will be incurred without your prior approval.

US JAPAN SOCIAL SECURITY (TOTALIZATION) AGREEMENT

The US and Japanese governments have an Agreement to give relief to those who would otherwise pay social security contributions to both countries and provides for totalization of the pay-in period to qualify for benefits. Some US citizens working in Japan may be able to opt out of the Japanese pension system for 5 years if they are paying in to the US system. In addition time worked in the US before coming to Japan counts toward meeting the 25 year pay-in period to qualify for the Japanese pension system. Similarly, time worked in Japan will count in meeting the US 10 year pay-in requirement for social security. (The Japanese 25 year requirement may be less depending on your age when you started paying in to the Japanese system. For example I only had to pay in for 14 years and 3 months.).

CERTIFICATION OF US RESIDENCY

In order to claim benefits under the US Japan tax treaty use IRS Form 8802 to obtain certification of US residency. Even though you live in Japan, there are situations, under the treaty definition of “residency”, where this form is applicable and needs to be filed with Japanese tax authorities.

REFUNDABLE CHILD TAX CREDIT

If you have children under 17 years old, you may qualify for thousands of dollars in refunds. Amended tax returns can be filed to get refunds for prior years. **YOU DO NOT HAVE TO HAVE HAD ANY TAXES WITHHELD OR PAID TO GET THESE REFUNDS!**

TAXPAYER IDENTIFICATION NUMBERS

In order to file a joint tax return, or take your foreign spouse as a dependent, you need to get an Individual Taxpayer Identification Number (ITIN) for your foreign spouse. Please contact me.

REFERRING NEW CLIENTS

Yes, please. I appreciate your referrals very much.

CONTACTING ME

The best way to contact me is through email at david@loophole-lewey.com My phone and fax number is also listed above. Please also visit <http://loophole-lewey.com> My Skype name is david.lewis18.

TAX SEASON LOGISTICS

Your tax information Organizer is either enclosed, or available on my website. Please send it to me as soon as you can. As usual I expect to be very busy in the summer months.

Foreign residents have an automatic extension until June 15 to file their tax return, but must pay interest on any taxes owing from the normal due date of April 15. If you expect to owe taxes, you should file your return or pay an estimate by April 15 to avoid paying interest.

JAPANESE POSTAL MONEY ORDERS

Please avoid paying US taxes with Japanese Postal Money Orders. As there is a limit on the amount, some clients have sent in multiple money orders to pay their taxes. The problem is that the IRS mail openers do not expect to find more than one payment. One is processed and others are stapled to the file and sent to storage. This results in having to cancel the original money order and get a new one issued which is not a pleasant thing to have to do.

IRAS

Please contact me before making any Individual Retirement Account (IRA) contribution. There are penalties for making contributions when you don't qualify. If all of your income is excluded under the foreign earned income exclusion, you do not qualify to make IRA contributions. This is true for all IRAs, including Roth IRAs.

OFFSHORE INVESTMENTS

Again, I urge you to avoid these types of investments. Offshore investments are generally made in small island countries that impose no tax on the income and do not have tax treaties with the USA. Income from these investments is taxable to US citizens, but most of these companies do not give you information necessary to report your income or losses for US tax purposes. In general, my clients cannot get tax benefits and, in fact, taxes indirectly withheld from you on these types of investments can be much higher than investments with established US companies.

I refuse to prepare tax returns for clients that make such investments.

JAPANESE TAX HELP

I refer you to the following Japanese tax experts:

Keiko Bando, Licensed Tax Accountant
Tel: 06-6608-2778 Fax: 06-6608-2670
afbes501@oct.zaq.ne.jp

Kumiko Mizuno, CPA
Tel: 0727-79-5571 Fax 0727-79-9953
kumiko-m@mars.dti.ne.jp

SOCIAL SECURITY

To find out your status with the US Social Security, call the Embassy or a Consulate to get the form to request your SS history. Or, request it on the SSA website. Search “Social Security Administration”. The history will include estimated retirement and survivor’s benefits, but these do not take into account that you may have been paying in to the Japanese retirement system. You have to use one of the “calculators” on their website to determine the amount of your estimated benefits.

QUESTIONS?

Please feel free to ask any questions. I charge a yearly preparation fee that includes answering most questions and dealing with usual IRS problems.