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### NEWSLETTER

January 2009

#### NEW TAX LAW CHANGES

No "Economic Stimulus Payment" has as yet been enacted for the 2008 tax ye, but there is a Recovery Rebate Credit that may be available for those who filed too late to get the stimulus payment, or owe 2008 taxes. MOSTLY BAD NEWS

The foreign earned income exclusion has been increased from \$85,700 to \$87,600 for 2008 as the result of the inflation adjustment provision. GOOD NEWS.

Your tax rate for 2008 will be determined as if foreign income and housing exclusions had not been taken. This will mean that a high rate of tax will be due on US source income such as dividends and interest. BAD NEWS.

The favorable maximum tax rate of 15% on capital gains and qualified dividends has been extended through 2010. GOOD NEWS...

Limitations continue to apply to the amount of Foreign Housing Exclusion for renters. BAD NEWS.

For the American Institute of CPAs tax savings tips see:

[https://www.aicpa.org/cpamarketing/downloads/Tax\\_Savings\\_Speech\\_2008.pdf](https://www.aicpa.org/cpamarketing/downloads/Tax_Savings_Speech_2008.pdf)

Please keep in mind that these may not be applicable to Americans overseas and people who pay little or no tax.

#### 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 will count 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 40 quarter (10 year) pay-in requirement. (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.) The Agreement went into effect October 1, 2005.

#### 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.

#### 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 to take your foreign spouse as a dependent, you need to get a Taxpayer Identification Number (TIN). First, you need to get a certified copy of your Japanese spouse's passport at the US Embassy or Consulate. We send that in with the application form with the first tax return that your spouse is taken

as an exemption or a dependent.

## 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](mailto:david@loophole-lewey.com) My phone and fax number is also listed above. Please also visit <http://loophole-lewey.com>

## 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.

If you expect that you will not be able to file by June 15, please contact me early in order to file for an additional extension to October 15. Any remaining tax that you expect to owe should be paid with this extension.

## REPORT OF FOREIGN BANK AND FINANCIAL ACCOUNTS

In addition to filing an income tax return, US citizens who have interests in, or signing authority over, foreign bank and financial accounts aggregating over \$10,000 at any time during the year should file form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. I can provide you with a partially prepared form and instructions on how to complete it. Please request by answering the Tax Organizer- General Questions.

## THE YEN EXCHANGE RATE

The Federal Reserve average exchange rate was Yen (pending) to \$1 for 2008 according to the US Embassy website. I will do all the exchange rate calculations for you.

## 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) contributions. There are penalties for making contributions when you don't qualify. 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.

## 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  
afb501@oct.zaq.ne.jp

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

## IRS AUDITS

No clients were subject to full scale IRS audits last year (or for any other of the past 20 years). However, some did receive notices when they failed to report some interest or other income that was reported to the IRS by their banks, etc.

## 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.

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