

## **Tax FAQs**

Q. I have a dependent child under 17. Can I get money from the US government even if I haven't paid anything in?

A. It's very possible. Many of my clients receive such payments. The maximum is \$1,000 per child per year.

Q. I am a US citizen working in Japan. Do I have to file a tax return?

A. Yes, if your wages exceed the standard deduction and personal exemption amounts. If you are self-employed, you have to file if your income is \$400 or more.

Q. I earn less than the \$95,100 exclusion amount. Do I have to file a tax return?

A. Yes, with the same exception as above.

Q. What's the worst tax mess I could get into?

A. Not filing your tax returns.

Q. What else can get me into trouble.

A. Making an IRA (Individual Retirement Account) contribution when your wages are less than the \$95,100 exclusion amount.

Q. Do you help with Japanese taxes?

A. No. My Newsletter lists two Japanese tax professionals, with whom I have worked for many years, who can help you in this area.

Q. I received a letter and a bill from the IRS for something called the Alternative Minimum Tax (AMT). I paid the tax, but I don't understand it. Is there anything I can do about that?

A. You need to contact me as soon as possible. I have never seen the IRS calculate this correctly. I have often amended returns, getting 90% or more of the money paid back, but there are time limitations.

Q. Do I have to report income such as teaching private lessons or royalties from books?

A. Yes. This is self-employment income. If it is over \$400 you owe social security tax.

Q. I am a visiting professor and I don't have to pay Japanese taxes. Can I take the \$95,100 exclusion deduction?

A. Yes, but you have to stay out of the US for 330 days the 365 day period that includes the wages that you want to exclude. This can

be very complicated involving two 365 day periods, if, for example, you took a 2 month summer vacation.

Q. I receive interest from a Japanese bank that does not report it to the IRS. Do I have to report it on my US tax return?

A. Yes, but you can take a tax credit for the 20% Japanese tax that is withheld by the bank.

Q. I am a Japanese citizen, but I own rental property in the USA that doesn't make a profit. Do I have to file a US tax return?

A. Yes, and you also may have to file a state income tax return.

Q. What should I do if I haven't filed for many years?

A. You should start filing. Please contact me to discuss what prior year returns you have to file. See the Non Filers Corner

Q. My US citizen spouse also works. Do we get two \$95,100 exclusion amounts?

A. Yes.

Q. I am married to a Japanese citizen. Can I file a joint return?

A. Yes, you can choose to file jointly, but your spouse has to get a taxpayer identification number (its used like a social security number). I can help you get the number. You also have to report all of your spouse's income.

Q. How do I get a taxpayer identification number for my foreign spouse?

A. The rules for getting an Individual Taxpayer Identification Number (ITIN) for a foreign spouse or dependent have been constantly changing. They will change again this year. Please contact me for help.

Q. What exchange rate do I use to convert Japanese yen to dollars?

A. The U.S. Embassy has yearly average rates on their website.

Q. Aren't US citizens taxed double?

A. This could happen, but there are two main ways to prevent this. One is the \$95,100 exclusion amount, and the other is the foreign tax credit that can be used to offset US taxes if you are over the \$95,100 wage exclusion amount.

Q. I am an artist working in Japan. I sold art work only in Japan and Canada. Do I have to report and pay tax on this?

A. Yes. You are self-employed. Your income after expenses is taxable and it probably qualifies for the \$95,100 exclusion amount.

If your net income is \$400 or more you owe social security tax of about 15%.

Q. I don't file a tax return in Japan, but taxes are withheld. Do I get credit for these taxes?

A. Yes. Your employer should be asking you about tax deductions each year and adjusting your December wages. Therefore, you don't have to file a separate tax return in Japan. In January you should get a 3 inch by 5 inch "gensen" that reports yearly earnings and Japanese national taxes withheld. Local tax reports are issued around June on a long, narrow, ruler shaped statement, often included with your pay slip.

Q. What about US state tax returns? Do I have to keep filing there?

A. Generally, no, but you may want to for various reasons. For example, you may wish to return to university and qualify for instate tuition rates.

Q. Do you prepare state tax returns?

A. Yes.

Q. I like my present tax preparer in the states. Is there any reason to change to using your services.

A. Well, sure. Tax laws are very complicated, so there are specialists, just like in medicine. I specialize in tax laws relating to US citizens living in Japan. If your present tax preparer has only one or two clients living in Japan, it is very difficult for them to keep up on tax matters that relate to you.

Q. Where can I go if we have a dispute in our relationship that we can't resolve, or if you have divulged confidential information?

A. There are two places. I am a member of the American Institute of Certified Public Accountants which has a disciplinary process. I am also licensed by the Hawaii Board of Accountancy which also takes complaints. I have never been notified of any complaint being filed anywhere.