



U.S. Tax Considerations

2022



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Residency

Resident Aliens, U.S. Citizens, U.S. Green Card Holders	<ul style="list-style-type: none">• Taxed on worldwide income• Graduated tax rates used
Nonresident Aliens	<ul style="list-style-type: none">• Graduated tax rates used for U.S. sourced income effectively connected with a U.S. trade or business• 30% flat rate or lower treaty tax rate used for U.S. sourced income not effectively connected with a U.S. trade or business
Part Year Residents	<ul style="list-style-type: none">• Dual Status tax return is filed• Generally, occurs in year of arrival and/or departure

Residency

U.S. Resident meets lawful permanent resident test or substantial presence test:

- Lawful permanent resident—“green card” test
 - Substantial presence test
 - Present in the U.S. for at least 31 days in the current calendar year; and
 - Total U.S. days of presence meets or exceeds 183 days counting:
 - Total U.S. days in current calendar year, plus
 - 1/3 U.S. days in first preceding calendar year, plus
 - 1/6 of U.S. days in second preceding calendar year
- U.S. Residents are taxable on worldwide income

U.S. Nonresident does not meet above criteria to be considered a U.S. resident.

In the year that a foreign national becomes a U.S. resident (and sometimes in the year that he/she ceases to be a U.S. resident), his/her tax status is that of a **dual-status alien**. Dual-status tax returns include two returns. One return reports income and deductions for the residency period, and the other reports income and deductions for the non-residency period. The includible income and deductions are different for each portion of a dual-status year.

Residency

Full Year Resident – Worldwide Income:

✓ Compensation for services performed.

✓ Passive Income:

- Interest
- Dividends
- Rent from property
- Capital gains/loss

Full Year Nonresident – U.S. Source Income:

✓ Compensation for Services performed in the U.S.

✓ Passive Income:

- U.S. Dividends
- Rent from property in the U.S.

Dual Status

- Part of year when a resident - Worldwide Income is taxable
- Part of year when a nonresident – U.S. Source Income is taxable

Filing Statuses

Filing Status. A resident alien taxpayer must choose one of the following four filing statuses on his/her tax return - Each filing status has its own tax rate:

1. Single (for unmarried taxpayers only)
2. Married filing jointly (for spouses filing together)
3. Married filing separately (for spouses filing separately)
4. Head of household (for unmarried taxpayers and certain taxpayers married to a nonresident alien, who have dependents living with them)

Standard deduction*

Filing status	2022
Single	12,950
Married filing jointly	25,900
Married filing separately	12,950
Head of household	19,400

Itemized deductions

Itemized deduction includes State and local income taxes, U.S. real estate taxes, donations to U.S. charitable organizations, residential mortgage interest and investment interest expenses.

The combined deduction for state and local income tax and U.S. real estate taxes is capped at \$10,000 (\$5,000 for married filing separate).

*Information subject to change

Reference Grid

Available Filing Status/Tax Rates	Full Year Resident	Nonresident	Part year residents
Single	Yes	Yes	Yes
Married Filing Jointly	Yes	No	No
Married Filing Separately	Yes	Yes	Yes
Head of Household	Yes	No	No
Available Deductions			
Standard	Yes	No*	No
Itemized	Yes	Yes, limited	Yes
Financial Asset Reporting			
Form 8938	Yes	No	Yes
FinCEN Form 114 (FBAR)	Maybe	Maybe	Yes

*Students from India on F-1 visa are allowed to take the standard deduction under the U.S./India treaty

2022 U.S. tax rates*

Tax Rate	Single Filers	Married filing Jointly or qualifying widow(er)	Married filing separately	Head of household
10%	\$0 - \$10,275	\$0 - \$20,550	\$0 - \$10,275	\$0 - \$14,650
12%	\$10,275 - \$41,775	\$20,550 - \$83,550	\$10,275 - \$41,775	\$14,650 to \$55,900
22%	\$41,775 - \$89,075	\$83,550 - \$178,150	\$41,775 - \$89,075	\$55,900 - \$89,050
24%	\$89,075 - \$170,050	\$178,150 - \$340,100	\$89,075 - \$170,050	\$89,050 - \$170,050
32%	\$170,050 - \$215,950	\$340,100 - \$431,900	\$170,050 - \$215,950	\$170,050 - \$215,950
35%	\$215,950 - \$539,900	\$431,900 - \$647,850	\$215,950 - \$323,925	\$215,950 - \$539,900
37%	\$539,900 or more	\$647,850 or more	\$323,925 or more	\$539,900 or more

Note:

- State: Varies depending on state
- OASDI tax rate 2021 & 2022: 12.4% self-employed, 6.2% employees
- HI tax rate: 2021 & 2022: 2.9% self-employed, 1.45% employees
 - Additional .9% tax for those with income above \$250,000 Married Filing Joint, \$125,000 Married Filing Separately, and \$200,000 all others
- Net Investment Income Tax: 3.8% applicable on investment income at certain income thresholds

*Subject to change



Restricted Stock Units (RSU)

How RSU works:

RSUs vest over time, this is called the earnings period. If you move internationally during the earnings period, the RSU income is split between the countries based on when you move. This is called “sourcing” of income.

At Vest:

U.S. federal income tax is withheld on U.S. sourced portion of RSUs at supplemental income tax rates, 22%* via “sell to cover” or the cash payment option. State income tax is also withheld, depending on which state you resided in or worked in during the period of vest. Social Security tax may also be withheld. The overall U.S. Federal tax rate on your tax return will range from 10% to 37%, depending on your level of income and other factors. If the rate of tax withheld differs from your actual effective tax rate, the balance will be reconciled on your U.S. tax return. Often the federal tax rate on the tax return will be higher than the 22% withholding rate and, in such cases, you will owe an additional tax balance due with the tax return filing.

Foreign Tax Credit:

A foreign tax credit may be claimed on the non-U.S. sourced portion of RSU income in cases where the entire vest income is reported in the U.S. yet it is sourced to and taxable in more than one country.

Capital Gains

If you buy and sell an asset, capital gains tax may apply. Capital gains are fully taxable in the U.S., if the sales of the assets occurs while you are a U.S. tax resident.

- Short – term capital gain:

If you buy and sell an assets within one year, this is a short-term capital gain. The income is taxed at regular income tax rates depending on your tax bracket.

- Long – term capital gain:

If you buy and sell an asset after one year, this is a long-term capital gain. The income is taxed at a lower rate depending on your income level.

Exclusion of Capital Gain from Home Sale for US citizens/tax residents:

An unmarried taxpayer is allowed to exclude the gain on the sale of their principal residence to a maximum of \$250,000, and \$500,000 for married taxpayers filing joint tax returns, provided such taxpayer(s) meet certain qualifications. To qualify, a taxpayer must have owned and occupied the residences as a primary residence for at least 2 of the 5 years preceding the sale. Taxpayers who fail to meet the two-year requirement because of a change in place of employment, health, or other unforeseen circumstances may be eligible for a portion of the exclusion based on the ratio of their qualifying period to the two-year period. If the taxpayer(s) do not qualify for the exclusion, then the full gain amount is taxable upon sale.

Foreign Mortgage Exchange Rate Gain:

When a US tax resident sells a non-US home and the mortgage on such home is retired and/or when they pay off a foreign mortgage, it may give rise to a “foreign currency exchange gain” because of a change in the exchange rate between the time of purchase/mortgage acquisition and sale/mortgage retirement. In other words, if it took fewer dollars to pay off the mortgage now as compared to the exchange rate for the payoff amount at the original purchase date, then a gain is realized. In fact, it is possible that the sale of a foreign home will give rise to a nondeductible personal loss on the sale of the home itself, and at the same time a taxable exchange rate gain on the retirement of the mortgage.

Unique Filings (FBAR)

Foreign Bank Accounts and specified foreign financial assets Reporting (FBAR).

Resident:

The Department of the Treasury requires that every U.S. citizen or resident alien with an interest in or signature authority over foreign bank accounts, securities, or other financial accounts that exceed \$10,000 in aggregate value at any time during the calendar year must report that relationship. The original deadline aligns with that of the individual income tax return (that is, 15 April) and is eligible for a six-month extension. The report is completed electronically on Form 114, Report of Foreign Bank and Financial Accounts (FBAR), filed online and separately from the income tax return through the BSA E-Filing System.

Nonresident:

Not required to report these accounts. A tax adviser should be consulted to determine whether a foreign national is required to file this separate report. Failure to file Form 114 may result in the imposition of civil and criminal penalties.

Compliance Timeline

April 15

Or next business day if
weekend/Holiday



- Initial U.S. tax Return due date, including Foreign Bank Account Reporting Form (FBAR). Extension may be filed to extend the due date



October 15

Or next business day if
weekend/Holiday



- U.S. tax return extended due date (If required) and Final Deadline for FBAR



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