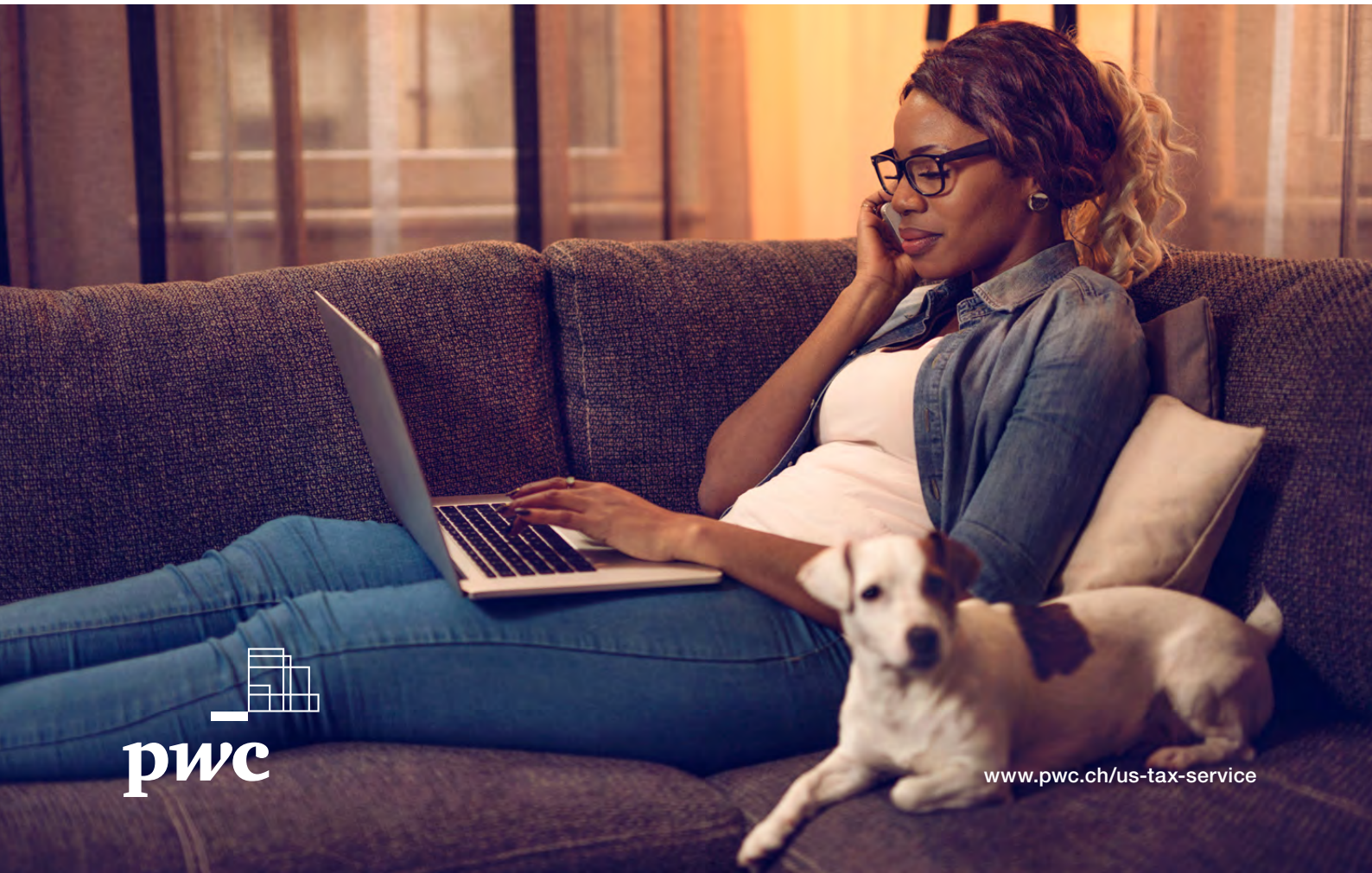


PwC US Tax Services: Navigating US Tax Implications for Green Card Holders



www.pwc.ch/us-tax-service

US Green Card status – Is it worth maintaining?

Maintaining US Green Card status can be as challenging as obtaining it, and the tax implications of both keeping and relinquishing it can be significant.

An individual who obtains the Lawful Permanent Resident ('LPR') status, or Green Card, is given the privilege to reside permanently in the United States ('US'). Under certain circumstances, this status can be lost if an individual fails to reside or fails to maintain the intention of returning to the US. Furthermore, holding a Green Card can also mean additional US tax responsibilities and reporting obligations even if you aren't physically residing in the US.

Let's look at 5 key factors to bear in mind.

Maintaining LPR status

Maintaining LPR status can sometimes be as hard as obtaining it. There's a presumption that the status is lost when permanent residence is established in another country, long-term absences from the US are taken, no US income tax returns are filed while living outside of the US, or a US tax return is filed as a non-resident alien (when allowed under a double tax treaty).

Green Card holders who stay outside of the United States for an extended period (even if less than a year) should apply for a re-entry permit before leaving the US to protect their Lawful Permanent Resident status.

US individual taxes

For US federal income tax, Green Card holders must annually file US tax returns as residents, subjecting worldwide income to taxation. State tax declarations may also be required for claimed residency and potential US naturalisation. Foreign asset disclosure includes the FBAR (i.e. Foreign Bank Account Report) for assets over US\$10,000 and Form 8938 filed with the tax return. Estimated tax payments must be made to meet US tax payment requirements.

Tax implications

1. Income tax treaties

Treaties between the US and the country of residence of a Green Card holder could be applied to mitigate US tax exposure.

Most treaties contain a 'tie-breaker' clause which can be used to determine the country of tax residence. Thus, a Green Card holder might elect to be treated as a US non-tax resident solely for purposes of determining their US tax liability. Various international information reporting requirements continue to apply.

By making this election on a US income tax return, issues may arise from an immigration standpoint, as it may be considered as a deemed intention to revoke a Green Card status. Advice from an immigration attorney is strongly recommended in these cases.





Our services

2. Relinquishing the Green Card

Surrendering the Green Card, allowing it to expire or being absent from the US for a lengthy period doesn't necessarily mean that the status of lawful permanent resident has changed.

An individual must receive an official notice from the US Citizenship and Immigration Service (USCIS) stating that there's been a final administrative or judicial determination that the Green Card has been revoked or abandoned.

When formally relinquishing the Green Card, an individual swears or affirms an oath of renunciation in front of a consular officer or files Form I-407, in person or by post, to terminate LPR status.

Even if the individual isn't complying with the terms of US immigration laws, continuing to hold the Green Card still counts for US tax purposes, and would subject them to US tax and reporting requirements until the Green Card is officially renounced.

3. Exit tax

Under certain circumstances, an individual who voluntarily or involuntarily relinquishes their Green Card, might be subject to a mark-to-market tax or 'exit tax'.

The mark-to-market tax would effectively be imposed on long-term high-net-worth Green Card holders, on all the unrealised gains of their worldwide assets, as if such assets had been sold for the fair market value on the day before the relinquishment.

Any net gain on the deemed sale is recognised to the extent it exceeds US\$821,000 (for tax year 2023). Currently, net long-term capital gains can be taxed as high as 23.8%, including the net investment income tax.

Unless an exception is met, the exit tax will typically apply to all those who've held their LPR status in at least 8 of the last 15 preceding tax years.

We can provide a high-level analysis of the US tax implications of holding or relinquishing a Green Card based on your personal situation, including holistic and cross-border advice, which covers your residence and wealth planning objectives and strategies. We can also assist you with the implementation thereof.

In addition, we can assist with the yearly filing of the required US tax declarations and other international reporting forms (i.e. Forms 1040, 5471, 8865, 8621, FinCEN 114/FBARs, etc.)





More information on
www.pwc.ch/us-tax-service

Get in touch

Connect with the PwC US Tax team in Zurich for assistance with your Green Card tax compliance queries. We are here to guide you through the complexities of this regulatory environment and offer support in managing your obligations effectively.



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