SIMONARD & SOREL
AVOCATS

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Tax Talk 2016 ©

US Tax Law Developments

Passport Revocation or Denial for Unpaid Taxes in Excess of $50,000

On December 4, 2015, Congress passed into law the Fixing America's Surface Transportation Act, H.R. 22 that allows the revocation, denial or limitation of any person's US passport who the IRS certifies has a seriously delinquent tax debt.

A seriously delinquent tax debt is an outstanding tax debt over $50,000. This debt must have a notice of lien or levy filed and excludes debts with IRS payment agreements. The IRS needs to certify to the Treasury the identity of the individuals that in turn are transmitted to the State Department rendering them ineligible for a passport. Passport revocation may only occur after the IRS examined and initiated collection procedures. Also, the IRS must show that the taxpayer's administrative and judicial rights had been exhausted or lapsed. The IRS in all cases must notify the taxpayer in question prior to collection proceedings.

We emphasize the many steps the IRS must take, as well as the size of the debt involved, before a passport can be revoked or denied. This is not something that will happen quickly and quietly without the taxpayer's knowledge. However, please contact us if you receive any notice from the IRS so that we can evaluate any risks and advise on the best course of action to take.

IRS Paris Office Closed

As of December 21, 2015, the IRS office located at the American Embassy is permanently closed. The IRS provides various support documents and videos on its website for taxpayers, and invites the public to contact them via telephone. Please note that, as a result call waiting times are often extremely long.

Income Tax Rates, Estate and Gift Tax Rates and Exemptions

There is a small adjustment for inflation, but otherwise the 2015 tax rates remain the same as tax year 2014 rates with a maximum ordinary income tax rate of 39.6% and a maximum long-term capital gains and qualified dividends tax rate of 20%.

The exemption from Estate and Gift Tax is now $5.45 million for 2016 with a maximum tax rate of 40%. The annual exclusion for gifts from each taxpayer remains at $14,000; this allows a married couple to gift each year to each person $28,000 tax-free and have an estate of up to $10.68 million before paying any estate or gift taxes to the US. Please contact us before making any large gifts as there could be other (French or state-level) tax consequences.

Itemized Deductions and Personal Exemptions Phase-outs

The high income limitation of itemized deductions or personal exemptions starts at $311,300 for married filing jointly, $285,350 for heads of households, $259,400 for singles, and $155,650 for married filing separately. If income is above these amounts, some or all of the itemized or standard deduction and personal exemption will be reduced.

Foreign Earned Income Exclusion

The Foreign Earned Income Exclusion has been inflation adjusted for 2015 and 2016 income tax years to allow maximum exclusions of $100,800 and $101,300 respectively, of Earned Income for those who are considered tax residents of a foreign country under either the Bona Fide Residence Test or the Physical Presence Test.

Changes to Calculations of Child Tax Credit

As a result of the Trade Preferences Act, IRS changed the definition of Earned Income used to calculate the child tax credit to exclude any foreign earned income amounts excluded under form 2555. Any income amounts deducted under the 2555 exclusion cannot be applied towards the child and dependent care credit.