



## US TAX COMPLIANCE WHEN IN ITALY

What you need to know about your 2020 U.S. Taxes

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### Worldwide Income

1. The United States of America taxes its CITIZENS and resident aliens (green card holders) on their worldwide income regardless of their location or source of income.
2. Italy taxes its RESIDENTS on their worldwide income regardless of their location or source of income. You are considered a tax resident of Italy if you are registered with the Italian public registrar or spend more than 183 days of a tax year in Italy.
3. As a Resident of Italy, you are subject to Two Tax Jurisdiction: U.S. and Italy. Double taxation is avoided thanks to the Foreign Earned Income Exclusion (\$107,600 for tax year 2020) and/or Foreign Tax Credits, and/or Tax Treaty provisions.

### Filing Thresholds

You must file a US income tax return if your earnings and filing status are:

	Must File if income from any source is over
Single	\$12,400
Single age 65+	\$14,050
Married filing jointly	\$24,800
Married filing jointly, one 65+	\$26,100
Married filing jointly, both 65+	\$27,400
Married filing separately, any age	\$5
Head of household	\$18,650
Head of household age 65+	\$20,300
Qualifying widow(er)	\$24,800
Qualifying widow(er) age 65+	\$26,100
Self-employed	\$400

Taxpayer physically outside the USA on April 15 are granted an automatic filing extension to June 15 (October 15 with extension request). However, any taxes due must be paid by April 15 to avoid interest and late payment penalties.

### Pensions

1. Pensions (including IRA distribution) are taxed only by Italy (Article 18 of Tax Treaty).
2. Government service pensions (if you are NOT a dual-national) are taxed only by the country which which pays them (Article 19 of the Tax Treaty).

### Self-Employment

1. If you are a US citizen only (not dual-national), you must pay US self-employment tax (aka social security).
2. If you are a dual-national, you may choose were to contribute for your retirement (USA or Italy).

3. To have rights to a US social security pension you must have contributed for 40 quarters (10 years). To have rights to an Italian social security (INPS) pension, you must have contributed for 20 years. Thankfully, for qualification purposes the contributions paid in each country can be summed for qualification purposes (Example: You have contributed for 5 years to the USA and 15 years to Italy. By summing the years you qualify for a pension in both countries, however each country pays you a pension based on how much you actually contributed into each pension scheme).
4. See [https://www.ssa.gov/international/Agreement\\_Pamphlets/italy.html](https://www.ssa.gov/international/Agreement_Pamphlets/italy.html)

### Capital Gains

1. Income thresholds for long-term capital gains rates have been increased to the following levels:
2. 0% for single and MFS income up to \$40,000, up to \$80,000 for MFJ, and up to \$53,600 for HOH
3. 15%/20% for others.

### Child Tax Credit

1. Taxpayers can claim the Child Tax Credit if they have a qualifying child under the age of 17 and meet other qualifications.
2. The maximum amount per qualifying child is \$2,000. Up to \$1,400 of that amount can be refundable for each qualifying child. The Child Tax Credit can give a taxpayer a refund even if they owe no tax.
3. The qualifying child must have a valid Social Security number issued before the due date of the tax return, including extensions.

### Additional IRS Reporting

1. You are subject to additional IRS information reporting:
2. If you own 10% or more in a foreign corporation (SpA) or Llc (Srl);
3. If you are the beneficiary of a foreign trust;
4. If you have a passive participation in a foreign corporation or mutual fund.
5. If your foreign financial assets exceed \$200,000.

### FBAR/FATCA

1. Unfortunately your obligations do not end here. Taxpayers need to file a Foreign Bank Account Report (FBAR) with the Financial Crimes Reporting Network (FinCEN) if the aggregate value of all foreign (non-US) financial accounts (bank accounts, brokerage accounts, mutual funds, trusts, etc.) exceeded \$10,000 at any time during the tax.
2. See <https://bsaefiling.fincen.treas.gov/NoRegFBARFiler.html>

### Filing Past Due Tax Returns & FBARs

1. If you did not know you had to file, and your omission was not willful, you may be eligible for the Streamlined Foreign Offshore Procedures.
2. These procedures require you to file the last 3 missing individual income tax returns (Form 1040) and six years of FBARs.
3. See <https://www.irs.gov/individuals/international-taxpayers/u-s-taxpayers-residing-outside-the-united-states>

### Stimulus Payments

1. Your \$1,200 (\$2,400 for couples) stimulus payment is an advance refundable tax credit on 2020 taxes. This means no matter how much you owe (or don't owe) in taxes for the 2020 tax year, you get to keep all the money with no taxes due on it.
2. You may still be eligible to receive a payment in 2021 if
  - o You did not register online, by mail and did not get a payment in 2020 or,
  - o You received a payment, but it wasn't the full amount of the Economic Impact Payment. The maximum credit is \$1,200, or \$2,400 if married filing jointly, plus \$500 for each qualifying child.
3. Then when you file a 2020 Form 1040 or 1040SR you may be eligible for the Recovery Rebate Credit if you receive an IRS letter - Notice 1444 Your Economic Impact Payment – but no payment. Keep this notice with your 2020 tax records. You'll need the amount of the payment in the letter when you file in 2021.

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### U.S. TAX QUESTIONS and U.S. TAX PREPARATION?

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### ITALIAN TAX QUESTIONS and ITALIAN TAX PREPARATION?

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