



# 2022 Year-End International Assignee Newsletter

“The only difference between death and taxes is that death doesn’t get worse every time Congress meets.”

— Will Rogers

After two years of pandemic lockdowns, travel restrictions, mask mandates, vaccination controversies, supply chain disruptions, and labor shortages, many of us had looked forward to the slow ebb of the COVID-19 pandemic as the beginning of a return to “normal,” but instead 2022 has been a year of surprises and upheaval. Major U.S. Supreme Court decisions were followed by much anticipated midterm elections. Rapidly rising inflation and interest rates seem to have taken some of the steam out of the overheated housing market, but the largest European war in generations has resulted in energy uncertainty and waves of refugees in Europe.

With so much to distract it, relatively few tax developments emerged from either the U.S. Congress or the Internal Revenue Service (IRS) in 2022. Still, year-end is always a good time to take stock, and in this newsletter we’ll outline some key issues that we hope you’ll find helpful and timely.



Contents	Page
Budget reconciliation law has limited tax impact	2
Split Congress could encourage bipartisanship—or gridlock	2
Child and dependent tax credit enhancements expire	2
Foreign Earned Income Exclusion—special rules	2
Crowdfunding income may result in ... income	3
Repayment of COVID-19 related retirement plans distributions	3
Disaster relief extensions	3
FBAR filing deadlines	3
ITIN expiration and renewal	4
Social Security annual inflation adjustments	4
Impact of COVID-19 travel exception on tax residency status	4
For more information ...	5
Tax tables and other key figures for 2022 and 2023	6

### **Budget reconciliation law has limited tax impact**

On August 16, 2022, President Biden signed into law the *Inflation Reduction Act of 2022* (the Act). The Act is notable for omitting many proposals that had been reportedly under consideration, including frequently-discussed modifications to “carried interest” rules. The Act did not increase individual income tax rates, did not change the estate and gift tax rules, and did not address the limitation on the state and local tax (SALT) itemized deduction.

While the Act did include a number of tax incentives and benefits, particularly in the area of incentives for clean vehicles and residential efficient energy usage, it did not contain changes likely to affect the taxation of mobile employees or their employers.

The Act is also notable for awarding the IRS almost \$80 billion in funding to modernize its systems, increase staff and bolster tax enforcement activities. The impact of this increased IRS budget remains to be seen, but the Treasury has indicated that additional IRS enforcement activities will largely focus on high-net worth individuals and multi-national corporations.

### **Split Congress could encourage bipartisanship—or gridlock**

Mid-term elections—congressional elections that happen between presidential elections—are often characterized by low voter turnout and congressional election losses by the president’s party. The 2022 election surprised on both counts, with apparent high voter enthusiasm and relatively small gains by the Republicans. The new year will see a “split Congress”, where one party, the Democrats, retains narrow control of the Senate, while the Republican party regained a very small majority in the House.

The *Tax Cuts and Jobs Act*, which took effect in 2018, lowered tax rates but curtailed or eliminated certain deductions. A number of its tax provisions are scheduled to expire in 2025 unless Congress acts to keep the provisions in place, but it’s unclear when or if the new Congress will address the scheduled changes.

Though many don’t realize it, divided government has been the rule since World War II, and presidents have led governments where their party controls both houses of Congress for only 16 of the past 52 years. Needless to say, those divided governments have managed to get things done, but many commentators predict that infighting and gridlock could be the more likely theme for the next two years. It will remain to be seen whether Congress and the president will be able to achieve

bipartisan agreement on any number of important matters, including tax legislation.

### **Child and dependent tax credit enhancements expire**

As mentioned above, the *Tax Cuts and Jobs Act* changed numerous deductions and credits. It eliminated “personal exemptions”, large deductions that were allowable for the taxpayer, spouse and each dependent. In their place, the Child Tax Credit was doubled, to \$2,000, and a new credit of \$500 for other dependents was created. For families with lower tax liabilities, up to \$1,400 of the Child Tax Credit was made refundable, meaning that if the credit was greater than the family’s income tax, the excess was paid to the taxpayers as a tax refund.

The popular enhancement to the Child Tax Credit, which included sending monthly checks of \$300 per child to many families, applied for tax year 2021 only.

In 2020, the *American Rescue Plan* attempted to address some of the financial strains created by the COVID-19 pandemic for families. The law increased the amount of the Child Tax Credit to \$3,000, and to \$3,600 for children under age 6. It made the credit fully refundable, and it also enhanced the credit for Child and Dependent Care expenses.

These changes applied to tax year 2021 only. While Congress sometimes considers enacting extensions of expiring tax deductions and credits, as of this writing in mid-December, Congress has not addressed these items.

### **Foreign Earned Income Exclusion—special rules**

U.S. citizens and green card holders who live and work abroad may be entitled to a special tax benefit called the Foreign Earned Income Exclusion that entitles them to exclude some or all of their compensation for working abroad from U.S. income tax.

To claim this exclusion, you must meet one of two rules regarding the amount of time you spend outside the United States. What many don’t realize is that the time limit may not apply if you were living and working in a country where war or civil unrest broke out. Each year, the Internal Revenue Service announces what countries this special exception applies to.

If you began an assignment in 2021 or 2022 in Ukraine, or in certain other countries where war or civil unrest broke out, be on the look out for an IRS announcement in early 2023 that may enable you to claim the Foreign Earned Income Exclusion even though you didn't meet the time requirements to claim that exclusion.

In March 2022, the IRS announced that those who were forced to depart Iraq, Burma, Chad, Afghanistan or Ethiopia during 2021 due to war or civil unrest in those countries before they had met the time requirements for the Foreign Earned Income Exclusion may nonetheless be able to claim that exclusion if certain requirements are met. If you were in one of these countries on an assignment that was cut short, be sure to mention it to your tax return preparer so they can determine whether you qualify for the exclusion.

### **Crowdfunding income may result in ... income**

Last year the Internal Revenue Service issued a new tax form, Form 1099-K, *Payment Card and Third-Party Network Transactions*, which will be used by certain online apps and payment processors to comply with new reporting requirements. If you received more than \$600 related to your online business via Venmo, PayPal, Facebook Marketplace, Uber, etc., you may receive this form, and the IRS will be expecting to see the income reported on that form included in your tax return.

Many will be taken by surprise to learn that money raised on a crowdfunding platform may be reported to them on Form 1099-K. Depending on the nature of the transaction, money received via crowdfunding may be considered a gift, but if an exchange of goods or services was involved, crowdfunding may result in taxable income.

### **Repayment of COVID-19 related retirement plans distributions**

If you, your spouse, or your dependent was diagnosed with COVID-19 or was financially affected by the pandemic, you may have been allowed to withdraw up to \$100,000 from your 401(k) or IRA account without penalty during 2020 (generally, a 10-percent early-retirement-plan withdrawal penalty would apply). Unless you elected to include the entire amount of the distribution in your income during 2020, the distribution is ratably included in your income over a three-year period beginning in the year of withdrawal.

However, if you recontribute some or all of the amount you had withdrawn back into the same account, or to an account that is eligible for tax-free rollover treatment, within 3 years, it will be treated as a "rollover" and the

amount recontributed will not be taxed. If you've already paid the tax on the amount that was withdrawn and later recontributed, you may file an amended return to claim a refund.

If you didn't recontribute a COVID-19 related retirement plan distribution, you may have a final taxable inclusion that causes an increase in your 2022 tax. On the other hand, if you recontributed an amount this year, you may enjoy a refund of prior year tax.

### **Disaster relief extensions**

It is recognized that those affected by natural disasters may not have access to the books and records necessary to file their tax returns on time. For that reason, special extensions are often granted to those who reside in federally-declared disaster areas. The IRS will automatically provide filing and penalty relief to taxpayers whose IRS address of record is located in the disaster area. You may also be entitled to relief if your tax return preparer is based in a disaster area.

If you intend to take advantage of these special extensions, you should check with your tax service provider to be sure that you qualify, and that required special disclosures are made in your return. This [IRS information page](#) lists disasters that occurred in 2022 and prior years that entitled taxpayers to relief.

In addition, if you were affected by the COVID-19 pandemic and filed your 2019 or 2020 tax return late, penalty relief was available if you filed that return by September 30, 2022 (see this [IRS information release](#) for more information). If you filed late before this relief was announced, and were assessed a penalty, that penalty should have been automatically waived or refunded. While the Sept. 30 deadline has passed for most people, it is extended until February 15, 2023 for taxpayers who were affected by [certain federally-declared disasters](#) in Alaska, Florida, Mississippi, North Carolina, Puerto Rico, and South Carolina.

### **FBAR filing deadlines**

If you're an American who has lived abroad, or a foreign national living in the U.S., it's important that you understand FBAR filing requirements. FinCEN Form 114, commonly referred to as the "FBAR" (for Foreign Bank Account Report), is required to be filed annually by any U.S. citizen or resident with foreign financial accounts, if the total balance of such accounts exceeds \$10,000 on any day of the year.

The FBAR is not part of your U.S. tax return, but the due date for filing mirrors the tax return deadline: it's due on April 15, but all filers are allowed an extension until

October 15. Since you don't have to request the extension, October 15 is the effective due date of the form, which must be filed online.

Recently, the U.S. Treasury Department announced that victims of Hurricane Fiona, Hurricane Ian, and storms and floods in part of Alaska have until February 15, 2023 to file their 2021 reports.

Many employers of mobile employees expect those employees to prepare this form themselves, even if the employer pays for U.S. tax return preparation, and penalties for failure to file can be quite high (so high, in fact, that the issue is currently being considered by the U.S. Supreme Court). So, it's important to understand whether you are subject to this filing requirement.

### ITIN expiration and renewal

Anyone who files a U.S. tax return needs to include a unique identifying number. If you're qualified to work in the United States, you're entitled to a Social Security Number (SSN).

If you don't qualify to receive an SSN, you'll still need an identification number to file a U.S. tax return, or to be claimed as someone else's spouse or dependent on a U.S. return. These special numbers are called ITINs (Individual Taxpayer Identification Numbers) and, unlike SSNs, ITINs can expire.

If you don't qualify to obtain a Social Security Number, you must use an ITIN (Individual Taxpayer Identification Number) on your U.S. tax return—and be aware that it may have expired.

If you don't use your ITIN on a tax return for three consecutive years, it expires, and you'll have to renew it before you can use it on a tax return again. And, ITINs that were issued before the year 2013 expired by the year 2020 even if they had been used recently. The IRS has issued [this fact sheet](#) to explain what to do if your ITIN has expired.

### Social Security annual inflation adjustments

Many of us look forward to receiving gifts around the year-end holiday season, and one is generally delivered annually to retirees drawing U.S. Social Security benefits: an inflation adjustment to their monthly check. Benefits are adjusted annually to reflect inflation in the government-tracked Consumer Price Index, so without these annual increases, a pensioner's monthly Social Security would buy less goods and services.

In 2023, those receiving U.S. Social Security benefits will see their payments increase by 8.7 percent, the largest annual increase since 1981. The dollar amount of a

person's pension depends on the level of their earnings that were subject to U.S. Social Security tax over the course of their career, how many years, they paid the tax, and the age at which they claim their retirement benefit.

Retirees and other U.S. Social Security beneficiaries may be relieved to receive an 8.7 percent increase in their benefits checks in 2023—but since current taxpayers fund those benefits, it should be no surprise that the maximum amount of wages subject to the tax that funds those benefits also increased by nearly 9 percent.

Those not old enough to be collecting Social Security, may be more interested in the other major announcement with regard to U.S. Social Security inflation adjustments: the annual increase to the maximum wages subject to "OASDI" tax. U.S. Social Security tax has two parts. One, Medicare tax, is applicable at a rate of 1.45 percent on all compensation for services. (The rate raises to 2.34 percent when compensation exceeds a certain threshold.)

The second U.S. Social Security tax supports Old Age, Survivors and Disability Insurance, or OASDI, and applies at a rate of 6.2 percent (paid at the same rate by both employer and employee) to compensation received up to a maximum ("ceiling") amount that is adjusted annually for inflation. The 2022 OASDI ceiling of \$147,000 was increased by almost 9 percent to \$160,200 for 2023. (The rate is higher than that applied to benefits because the index used considers only wage inflation, which rose at a different rate than price inflation.) So, although the tax rate did not increase, if you earn in excess of the OASDI ceiling amount you will pay 6.2 percent tax on an extra \$13,200 of wages in 2023 – a tax increase of \$818.

### Impact of COVID-19 travel exception on tax residency status

A person is considered a U.S. resident for tax purposes if they either have a green card, or meet the conditions of the substantial presence test (SPT).

The rules are complicated and there are various exceptions, but in general, the SPT requires that you count all of the days that you were present in the United States for any reason in the current year (2022) and the past 2 years (2021 and 2020). Then you add the number of days present in the current year to 1/3 of the days present in the prior year, and 1/6 of the days present in the second prior year. If that number is 183 or greater, then you're considered a resident of the United States in the current year.

In 2020, the IRS released special guidance which allowed you to omit up to 60 days of presence in the United States from the SPT count, if you met certain requirements.

If you are a foreign national who was unable to leave the United States in 2020 due to COVID-19 (due to illness or travel restrictions), this could have an impact on your 2022 U.S. tax residency status.

This special rule only applied to days of presence in the United States in 2020. However, if you elected to omit days in 2020 from your SPT count under this rule, they still don't count when you're counting prior year days for the purposes of applying the SPT in 2022. If, back in 2020, you intended to leave the U.S. but weren't able to due to COVID, you might have benefitted by this special rule that year, which could in turn have an impact on your 2022 residency status. If you're not sure whether you claimed this exception, your 2020 tax return preparer should know.

### For more information ...

If you would like more information on U.S. income tax issues, please check out KPMG's [2023 Personal Tax Planning Guide](#), which provides an overview of the current tax environment and discusses how recent changes and other developments may affect individual tax and wealth planning. It also offers useful tips for making the most of potential tax benefits.

Topics covered include:

- Individual income tax planning
- Investment-related tax planning
- Charitable tax planning
- Family matters
- Retirement planning
- Transfer tax planning
- Planning for your business

KPMG also has two comprehensive booklets that explain U.S. taxation of mobile employees, both inbound to and outbound from the United States: *U.S. Taxation of Americans Abroad* and *U.S. Taxation of Foreign Citizens*. These and other useful publication can be found on the Global Mobility Services portal of the [KPMG website](#).

In addition, you may find these IRS publications useful. Visit the IRS website at: [www.irs.gov](http://www.irs.gov).

- [Coronavirus Tax Relief and Economic Impact Payments](#)
- [Tax Relief in Disaster Situations](#)
- [Publication 17: Your Federal Income Tax](#)
- [Publication 54: Tax Guide for U.S. Citizens and Resident Aliens Abroad](#)
- [Publication 519: U.S. Tax Guide for Aliens](#)

## Tax tables and other key figures for 2022 and 2023

### 2022 Tax tables

Filing Status	Single	Married Filing Jointly	Married Filing Separately	Head of Household
10% on Taxable Income (TI) up to	\$10,275	\$20,550	\$10,275	\$14,650
12% on TI over that amount up to	\$41,775	\$83,550	\$41,775	\$55,900
22% on TI over that amount up to	\$89,075	\$178,150	\$89,075	\$89,050
24% on TI over that amount up to	\$170,050	\$340,100	\$170,050	\$170,050
32% on TI over that amount up to	\$215,950	\$431,900	\$215,950	\$215,950
35% on TI over that amount up to	\$539,900	\$647,850	\$323,925	\$539,900
37% on TI over the above amount				

### 2023 Tax tables

Filing Status	Single	Married Filing Jointly	Married Filing Separately	Head of Household
10% on Taxable Income (TI) up to	\$11,000	\$22,000	\$11,000	\$15,700
12% on TI over that amount up to	\$44,725	\$89,450	\$44,725	\$59,850
22% on TI over that amount up to	\$95,375	\$190,750	\$95,375	\$95,350
24% on TI over that amount up to	\$182,100	\$364,200	\$182,100	\$182,100
32% on TI over that amount up to	\$231,250	\$462,500	\$231,250	\$231,250
35% on TI over that amount up to	\$578,125	\$693,750	\$346,875	\$578,100
37% on TI over the above amount				

### Tax rates on long-term capital gains and qualified dividends—2022

Filing Status	Single	Married Filing Jointly	Married Filing Separately	Head of Household
0% if taxable income is less than	\$41,675	\$83,350	\$41,675	\$55,800
15% if taxable income is less than	\$459,750	\$517,200	\$258,600	\$488,500
20% if taxable income is equal to or over the above amount				

### Tax rates on long-term capital gains and qualified dividends—2023

Filing Status	Single	Married Filing Jointly	Married Filing Separately	Head of Household
0% if taxable income is less than	\$44,625	\$89,250	\$44,625	\$59,750
15% if taxable income is less than	\$492,300	\$553,850	\$276,900	\$523,050
20% if taxable income is equal to or over the above amount				

### Standard deduction

	2022	2023
Married Filing Jointly	\$25,900	\$27,700
Married Filing Separately	\$12,950	\$13,850
Single	\$12,950	\$13,850
Head of Household	\$19,400	\$20,800

### Employment taxes

FICA Taxes	2022	2023
Social Security (OASDI) maximum wage base	\$147,000	\$160,200

### Retirement plan contribution limitations

Maximum Contributions	2022	2023
401(k) contribution	\$20,500	\$22,500
401(k) catch-up (age 50 or over)	\$6,500	\$7,500
IRA contribution	\$6,000	\$6,500
IRA catch-up (age 50 or over)	\$1,000	\$1,000

### 2022 tax return due date calendar

January 31, 2023	2022 Forms W-2, 1098, and 1099 mailed by payors.
April 17, 2023	2022 federal income tax return (unless extended) and tax payment due. Also, deadline for electronic submission of 2022 Treasury Department FBAR (but automatic extension to October 16 is allowed).  Due to Patriot's Day, the filing deadline is extended to April 18, 2023 for residents of Maine and Massachusetts.
June 15, 2023	2022 federal income tax returns due for taxpayers living outside the United States and Puerto Rico (if any tax is due, interest will be assessed as from April 17 on any balance due but not paid).
October 16, 2023	Extended 2022 federal income tax return and FBAR due.
December 15, 2023	Extended 2022 federal tax returns due for taxpayers living outside the United States and Puerto Rico.
January 30, 2024	2022 federal income tax returns due for certain U.S. taxpayers living abroad, for whom 2022 was the first year of international assignment.

**The above information is not intended to be “written advice concerning one or more federal tax matters” subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230 as the content of this document is issued for general informational purposes only.**



© 2022 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.